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MR. PRESIDENT :

THE CHINESE TRADE DELEGATION IS ON HAND.

THE PRESIDENT HAS SEEN.....

THE WHITE HOUSE

WASHINGTON

September 8, 1975

ECONOMIC AND ENERGY MEETING

September 8, 1975

2:45 p.m.

Cabinet Room

From: L. William Seidman

*LWS*

I. PURPOSE

To review our policy on additional sales of grain to the Soviet Union.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: Although Soviet purchases of grain from the United States have been temporarily suspended, the Soviets have continued to purchase grain from Canada, Australia and elsewhere in recent weeks. The intensity of the Soviet demands are partially revealed by a reduction in their exports to Eastern European countries which have responded by increasing their purchases in Western markets including the United States.

A memorandum has been submitted to you outlining Soviet and Eastern European demands, world and U.S. production forecasts, the effect of additional sales to the Soviet Union on U.S. food prices and policy alternatives with respect to additional sales to the Soviet Union and long-term arrangements to stabilize grain exports to the Soviets.

B. Participants: William E. Simon, John T. Dunlop, L. William Seidman, James T. Lynn, Alan Greenspan, Earl Butz, Henry A. Kissinger, Paul MacAvoy, Charles Robinson, Richard B. Cheney.

C. Press Plan: White House Photographer.

III. AGENDA

A. Additional Grain Sales to the Soviet Union

Secretary Dunlop will review policy alternatives with respect to additional grain sales to the Soviet Union.

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Jim -

Notice the option  
paper that was submitted --

No decision made ---

I asked Roger Porter  
what happened -- he said  
there was not too much time  
at this meeting --- some  
decisions were made and he  
will cover these in a decision  
memo --- I plan to hold this  
here for now.

Trudy

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

September 8, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN



SUBJECT: Additional Sales of Grain to the Soviet Union

Although Soviet purchases of grain from the U.S. have been temporarily suspended, the Soviets have continued to purchase grain from Canada, Australia, and elsewhere in recent weeks. The intensity of the Soviet demands are partially revealed by a reduction in their exports to Eastern European countries. The Eastern Europeans have responded by increasing their purchases in Western markets and by attempting to purchase more from the United States.

The Economic Policy Board Executive Committee and its Food Deputies Group have reviewed these developments. A memorandum outlining Soviet and Eastern European demands, world and U.S. production forecasts, the effect of additional sales to the Soviet Union on U.S. food prices and related policy issues is attached at Tab A. The principal conclusions of this assessment are:

1. The United States is the only significant source of additional supplies of wheat and corn for the Soviets and Eastern Europeans. Soviet and Eastern European needs for 4 to 9 million additional tons are probably quite intense and their "willingness to pay" is likely great. Beyond an additional 4 to 9 million tons, their demands are mostly for livestock or inventory building and are less intense.
2. There is still considerable uncertainty regarding whether additional sales of 4 to 9 million tons to the Soviets can be made from this year's crops without (a) reducing inventories to extremely low levels and/or (b) incurring substantial price increases. The current crop uncertainty will be less only after the October Report.
3. There will be significant price increases in the food CPI in the June 1975 to June 1976 period regardless of additional sales to the Soviets. The expected increases of about 5 percent will likely be blamed on the Soviet sales to date, rightly or wrongly. Additional sales

of up to 6 million tons will likely add 3 percentage points to the food CPI. Sales beyond an additional 6 million tons will raise prices further, perhaps with an exponential effect on the food CPI.

The Administration will likely be pressed to clarify its grain policy following release of the September Crop Report. Three issues are presented for your decision:

Issue #1 - Long-Term Arrangements to Stabilize Grain Exports to the Soviet Union

Recommendation: Authorize the commencement of negotiations with the Soviet Union for a five year agreement for the United States to export a fixed amount of grain to the Soviet Union each year as suggested in Secretary Dunlop's "Program for Grain" paper attached at Tab B.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Issue #2 - Policy on Additional Grain Sales to the USSR

- Option A \_\_\_\_\_ If the September Crop Report is favorable, announce removal of the suspension of sales to the USSR up to a specified amount.
- Option B \_\_\_\_\_ Continue the current policy of a suspension of additional grain sales to the USSR. Announce that there will be no change in this policy prior to evaluation of the October Crop Report.
- Option C \_\_\_\_\_ Continue the current policy of a suspension of additional grain sales to the USSR. Announce that there will be no change in this policy until the labor (longshoremen) problem is resolved.
- Option D \_\_\_\_\_ Continue the current policy of a suspension of additional grain sales to the USSR. Announce that you are sending representatives to the Soviet Union to negotiate a long-term agreement that will reduce the disruptions in international grain markets occasioned by large year-to-year fluctuations in Soviet purchases.

Option E \_\_\_\_\_ Announce a policy of no further grain sales to the Soviet Union during the remainder of the 1975-76 crop year.

Issue #3 - Should U.S. grain export policy toward Eastern Europe be modified in light of current and anticipated extra demands due to reduced Soviet exports?

Option A \_\_\_\_\_ Extend the suspension of grain sales to the USSR to include Eastern European countries.

Option B \_\_\_\_\_ Restrict sales to Eastern European countries to traditional demand levels.

Option C \_\_\_\_\_ Continue present policy differentiating between USSR and Eastern European sales and approving additional requests by Eastern European countries.





THE WHITE HOUSE

WASHINGTON

September 8, 1975

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Additional Sales of Grains to the Soviet Union

*Paul W. MacArthur*

Soviet purchases of grain in third markets have continued in the last few weeks. They have made purchases from Canada, Australia, Argentina, France, and Germany, but the amounts have been small because of a lack of availability from these sources. By the end of August, the U.S.S.R. had purchased 17.1 million tons of wheat and feed grains worldwide, including 10.3 million tons from the United States. The seriousness of the Soviet shortfall is also revealed by a reduction in their exports of grains to Eastern Europe. As a consequence, the Eastern Europeans have increased their purchases in Western markets. Thus, U.S.S.R. demands have been transformed into Eastern European demands.

The Soviets and Eastern Europeans will most likely seek more grain from other countries in the next few months. They will probably take as much from the United States as is made available at present or slightly higher prices.

This memorandum reviews the most recent information on Soviet demands and on United States supplies. It also reviews recent forecasts of the effects of more U.S. sales to the Soviets on U.S. domestic food prices. In the concluding section, policies related to additional sales are considered in the light of these supply and demand conditions.

1. Soviet and World Production and Import Demands

Soviet Demands for Grain Imports. Early this spring, the Soviet grain crop was expected to exceed the planned 216 million tons because of extraordinarily mild weather conditions during the winter. But a sustained and widespread drought has probably reduced that crop to between 170 and 175 million tons. The shortfall from the original plan therefore may be in the range from 41 to 46 million tons.

Soviet demands for imports are not necessarily in the 41 and 46 million ton range, however. Some of the planned production was designated for building inventories, which can be postponed this year. Also, the Soviets can reduce the quality of bread somewhat and can reduce livestock herds without a significant loss of real incomes. Inventory stringency could reduce their demands for imports by 10 million tons, and reducing the quality of both bread and meat products could, without significant sacrifice, reduce their import demands by another 10 million

tons. Therefore, total Soviet demands for imports from abroad could be as low as 21 to 25 million tons. •

The Soviets may not decide to undertake this amount of sacrifice, however. At prevailing world prices, they may prefer to increase purchases of grain from the United States. But it is expected that appreciable price increases or political concessions would cause the Soviets to restrict their imports to the 21-26 million ton level. Given that they have purchased approximately 17 million tons, their "intense demands" for additional amounts are in the range from 4 to 9 million tons. Given that they have reduced their exports to Eastern Europe by 2 to 3 million tons, specific Soviet demands may be as low as 2 to 6 million tons.

Eastern European Demands for Grain Imports. The Eastern European countries have experienced some crop loss in addition to a loss of supplies normally available from the U.S.S.R. Both losses have the effect of increasing demands for grain from the Western suppliers. The CIA forecast of Eastern European demands for wheat has been 1.7 million tons, but this should be increased to 3.0 million if the Eastern European countries are foreclosed from the Soviet market. Corn demand is forecast by the CIA at 2.3 million tons, but also could be 1 to 2 million tons greater if Soviet feed grains are not made available. The USDA forecast of Eastern European demands,

including additional amounts to replace Soviet purchases, is 2.8 million tons of wheat and 4.0 million tons of corn. Thus, total Eastern European demands for United States grains are likely to be 4 million tons plus an additional 3 million tons to replace the traditional sales from the Soviet Union.

World Production. World wheat production available for export will total approximately 70 million tons in 1975-76. This is about 7 million tons more than last year, with most of the increase from the United States and Canada. In most cases, traditional buyers in export markets will take the same or increased amounts at this year's prices. Thus, the additional Soviet and Eastern European demands can be satisfied only by the United States and Canada.

The tightness of supply is even more evident in corn. World corn production available for export is estimated at 48 million tons, of which 34 million tons will come from the United States. Most of the rest has already been committed. Thus, the Soviet Union and Eastern Europe are essentially dependent on the United States for any additional purchases of corn in this crop year.

## 2. The U.S. Production Outlook

Uncertainties about the U.S. crop for this year still remain. Although the record wheat crop (expected to be up by 19 percent from

last year's record output) is assured, there is still considerable uncertainty attached to the corn crop. The August Crop Report indicated that corn production this year was expected to be 26 percent above last year's weather-plagued crop. But drought conditions in the Western Cornbelt had only begun at the time the data was collected for that report. Drought conditions prevailed through mid-August, and the rains which followed may have come too late to improve on stress conditions.

Uncertainty will still remain after the September Crop Report. Historically (1960 through 1974), the September Report has not provided a better estimate of final output than the August Report. In the past six years, the September estimate has had an average absolute error of 6.7 percent, with the error equally divided between overestimates and underestimates. A 6.7 percent error applied to the August estimate of a 148 million ton crop amounts to 10 million tons. If the error were an overestimate, the crop reduction would wipe out the forecast inventory accumulation, assuming total sales to the Soviet Union of 16 million tons, as shown in Table 1.

Recent weather conditions have added to the uncertainty. Rains, which finally reached the Cornbelt in late August, were in the form of heavy storms which resulted in considerable crop damage. The field samples that are the basis for the September Report will not provide a complete evaluation of the effects of these weather extremes.

Table 1. U.S. Crop Supply and Use With 16. Million Tons  
of Exports to the USSR (millions of tons)

	<u>Wheat</u>	
	1974-75*	1975-76**
<u>Supply</u>		
Beginning Stocks	6.7	8.7
Production	<u>48.9</u>	<u>58.3</u>
Total Supply	55.6	67.1
<u>Use</u>		
Domestic Use	18.6	20.0-18.7
Exports	<u>28.3</u>	<u>31.4-36.8</u>
Total Use	46.9	51.4-55.5
<u>Ending Stocks</u>	8.7	15.7-11.6
	<u>Corn</u>	
	1974-75***	1975-76**
<u>Supply</u>		
Beginning Stocks	12.3	8.5
Production	<u>118.0</u>	<u>148.5</u>
Total Supply	130.3	157.0
<u>Use</u>		
Domestic Use	93.9	100.6-108.2
Exports	<u>27.9</u>	<u>38.1- 33.0</u>
Total Use	121.8	138.7-141.2
<u>Ending Stocks</u>	8.5	18.3- 15.8

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\* Year beginning July.

\*\* USDA forecast as of August 12, 1975

\*\*\* Year beginning October 1.

As long as uncertainty prevails on the eventual size of our corn crop and on ultimate export demand, uncertainty will also continue regarding livestock production. Livestock producers sustained heavy losses last year as a result of the crop shortfall in feed grains. Hog inventories were reduced to near 40-year low levels, and many cattle feeding operations were curtailed. Although the cattle inventory is still at a record high level, increased feed prices could prompt a significant reduction in herds this fall, resulting in high meat prices the last half of 1976. Livestock producers will be reluctant to make commitments until a firmer notion of expected feed price-meat price relationships can be determined. Currently profitable price relationships are probably being discounted rather heavily now, and will be until weather and export uncertainties are removed.

### 3. Forecasts of U.S. Food Prices

The USDA projects substantial increases in retail food prices for the next four quarters, even without additional sales of grain to the Soviets. Before any sales to the Soviets had been made, USDA expected the food component of the CPI to increase by a 5 percent annual rate from the second quarter to the end of 1975. After sales of 10.3 million tons to the Soviets, the forecasts were revised to estimate increases in the lower end of the 6 to 8 percent range. The USDA attributed a 1.5 percent increase in the food component of the CPI to the effects of the additional sales. The USDA now projects a larger increase in retail food prices for the next four quarters based on an assumption

of 16 million tons of grain sold to the Soviet Union. The USDA now estimates an 8 to 8.5 percent increase in the food component of the CPI for the period from June 1975 to June 1976. Thus, food prices will increase by 6 percent without additional sales and will increase by 8 or 8.5 percent with additional sales of 6 million tons.\*

These estimated price increases, as shown in Table 2, are probably on the conservative side. They assume increases in profit margins for retailers of 10 percent per year through the remainder of 1975 and of 6 percent during the first half of 1976. They also do not take into account spillover effects such as shifts of demand to nongrain and non-meat items like fruits and vegetables whose prices would therefore rise.

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\* CEA forecasts, based on slightly different assumptions, assume that prices in grain and cattle futures markets, following the August Crop Report, reflect expectations of current crop size with Soviet sales levels to date (10.3 million metric tons). Inserting the future price for wholesale grain and meat into the corresponding month, the forecast increase in the food component of the CPI from June 1975 to June 1976 is 5 to 5.5 percent, as a result of general inflation and of sales to date to the Soviets.

The CEA has made a second projection using futures prices as of their highs in late August. This yields a food CPI price increase of 5.5 to 6 percent. There is no way to be sure what level of expected sales this represents in the forecasts of those buying and selling in futures markets. If it represents 2 to 3 million tons of additional sales, then these forecasts are roughly the same as those of the USDA.



Table 2. Expected Changes in Consumer Prices

	<u>Percent increase in the food component of the CPI, June 1975 to June 1976</u>	<u>Percentage point change in the food component of the CPI, relative to that for sales</u>	<u>Percentage point change in the total CPI, relative to that for no additional sales</u>
Nominal sales to the Soviets (Based on early USDA forecast)	5.0 to 5.5	0	0
10 million ton sales (Based on July USDA forecast)	6.5 to 7.0	+1.5	+0.3
16 million ton sales (current USDA forecast)	8.0 to 8.5	+1.5 to 2.0	+0.3 to 0.4

The quarter-by-quarter consumer price impacts are likely to be quite different under 10 and 16 million ton sales situations. Under high sales (6 million additional tons), as soon as the sales were made known grain prices would increase, probably above their highs in late August when the cash price of wheat rose to \$4.40 and corn to \$3.20 per bushel. These increases, and the prospects of continuing high grain prices through the winter and spring, would induce livestock feeders to sell cattle as forage runs out in September and October. This would have price reducing effects on cattle and meat in late 1975. However, the reduction in cattle would result in higher meat prices in 1976.

#### 4. Conclusions on Soviet and U.S. Market Conditions

Three conclusions important in considering additional sales to the Soviet Union and Eastern Europe are as follows:

- (1) The United States is the only significant source of additional supplies of wheat and corn for the Soviets and Eastern Europeans. Soviet and Eastern European needs for 4 to 9 million additional tons are probably quite intense and their "willingness to pay" is likely great. Beyond an additional 4 to 9 million tons, their demands are mostly for livestock or inventory building and are less intense.
- (2) There is still considerable uncertainty regarding whether additional sales of 4 to 9 million tons to the Soviets can be

made from this year's crops without (a) reducing inventories to extremely low levels and/or (b) incurring substantial price increases. The current crop uncertainty will be less only after the October Report.

- (3) There will be significant price increases in the food CPI in the June 1975 to June 1976 period regardless of additional sales to the Soviets. The expected increases of about 5 percent will likely be blamed on the Soviet sales to date, rightly or wrongly. Additional sales of up to 6 million tons will likely add 3 percentage points to the food CPI. Sales beyond an additional 6 million tons will raise prices further, perhaps with an exponential effect on the food CPI.

## 5. Policy Issues

A Decision Strategy. Uncertainty about the U.S. corn crop as well as about the rice crop in Southeast Asia suggests the prudence of delaying a decision on additional sales to the Soviet Union. Little additional information will be available on the Asian rice crop by mid-September, and the U.S. September Crop Report is still expected to provide a relatively uncertain estimate of the final corn crop.

At the time the October Crop Report is issued, reasonably firm information should be available on both the Asian rice crop and the U.S.

corn crop. Conditions then may suggest no further sales to the Soviets. Alternatively, they may suggest that additional sales could be made, with the possibility of further sales at a later date, depending on import demands from other countries. Alternatively, fixing an upper limit on sales to the Soviets at that time would help remove uncertainty from the market.

A strategy of spreading out the sales to the Soviets over a longer period of time permits information to be accumulated. More information reduces the risk of large price increases late in the year resulting from a poor rice crop. But it has the disadvantage of extending uncertainty on U.S. policy over a longer period of time.

Long-Term Agreements to Stabilize Exports to the Soviets. Soviet trade in grain has been particularly unstable, and in fact has been the major source of instability in international grain markets. From 1960 to the present they have accounted for 85 percent of the fluctuations in world trade in wheat, and 80 percent of the fluctuations in total trade in grains. Recent experience reveals the magnitude of the shocks imposed by the Soviets on the international grain economy. In the 1972-73 crop year the Soviets reduced their exports by 5 million tons and increased their imports by 13 million tons compared to 1971-72, constituting a net "drain" in international grain markets of 18 million

tons. In 1973-74, they increased their exports by 4 million tons and reduced their imports by 10 million tons compared to the previous year, constituting a net reduction in demand on world markets of 14 million tons. The combined 2-year effect of this 38 million ton turnaround was an enormous shock to the trade markets.

The experience of the 1975-76 crop year may be even more severe. The Soviets exported 5 million tons of grain in 1974-75, and imported an equal amount, breaking "even" on the international market. This year they are currently expected to export no more than 2 million tons, and to seek up to 25 million tons of imports, for a total displacement of supply and demand in world markets of 23 million tons.

Soviet purchases from the United States have been sizeable only in the last three years. Significantly, the United States is the only major country that maintains relatively open trade in agricultural products. Thus, the United States is forced to bear a major share of the adjustments from fluctuations in world trade at a time when reserves are at low levels. As a result, price fluctuations tend to be large, forcing adjustments on the livestock sector with far-reaching consequences.

The U.S. economy could handle grain exports to the Soviet Union much more easily if the quantities were stabilized. Under present conditions U.S. consumers and livestock producers bear the adjustment costs of Soviet agricultural instability. Stabilizing Soviet

Table 3. USSR Imports of Grains, 1965-66 Through 1975-76  
(millions of metric tons)

	<u>Distribution of Imports</u>	
	<u>Coarse Grain</u>	<u>Wheat</u>
1965-66	-	8.5
1966-67	0.2	3.1
1967-68	0.4	1.5
1968-69	0.5	0.2
1969-70	0.1	1.1
1970-71	0.3	0.5
1971-72	4.3	3.4
1972-73	5.9	14.9
1973-74	6.1	4.4
1974-75	2.5	2.5
1975-76 *	7.5	6.5

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\* Preliminary

purchases, with stockpiling in good crop years, would result in the Soviets bearing some or most of the adjustment costs themselves.

Potential for Expansion of U.S. Output. Long-term commitment of grain exports by the U.S. raises the question of the potential for expanding U.S. grain output. U.S. agriculture was plagued with chronic excess capacity throughout much of the post-World War II period. In the last few years, however, most of that excess capacity has been eliminated. The devaluation of the dollar made U.S. exports more competitive in world markets. Most of the excess labor has been drained out of agriculture. Not least, the productivity growth rate in agriculture during the 1960's was only one-third the rate of the 1950's.

Dramatic changes in available land have also taken place. In 1971 it was generally believed that the United States had some 60 million acres in the land reserve, but only 37 million acres were added to the land under cultivation when acreage restrictions were removed. By 1974, total acreage used for crops represented 93 percent of total cropland available (excluding cropland pasture).

More land could eventually be brought into production but it is marginal quality and will have lower yields than land now in use.

U.S. agricultural output can continue to increase in the years ahead, especially if relative prices remain attractive. However, the large

increases of recent years, which have been associated with the release of the land reserve to production, are not likely to be duplicated. Output expansion will once again be dependent on productivity growth, especially as the level of economic activity increases and unemployment declines.

The implications for policy of large sales to other countries are important. Commitments should be made with the knowledge that productivity increases will not allow rapid output increases. The year-to-year variations due to weather also may be great enough to result in substantial risk of inventory depletion to meet large additional long-term commitments.

A Government Grain Board. One way of dealing with problems of demand variation similar to those experienced during the last three years is by the establishment of a Grain Board responsible for all grain exports. Such a Board would be the sole marketing arm of grain producers. (Producers would be forbidden by law from selling these grains to anyone other than the Board.) Producers instead receive an initial price which effectively amounts to floor price, and a final payment at a later date which is determined by the skill of the Board in marketing the grain.

Such a scheme would be similar to the Canadian Wheat Board. In recent years the Board has maintained a two-price system, with wheat



sold to mills for domestic use at nearly \$2 per bushel less than the Board's export price. This permits the stabilization of domestic prices while extracting rents from the foreign market. Such a system would probably not be viewed with favor by U.S. grain producers, since we export a smaller proportion of our total output. In effect, the system would result in lower prices to producers for domestic sales than they could obtain on world markets.

The pooling system used to pay farmers enables all grain producers to share equally in any increase in prices. Offsetting this is the fact that all producers are heavily dependent on the marketing skills of the centralized board. Producers with unusually good marketing skills likely would be unwilling to give up the opportunity to capitalize on those skills.

Producers' marketings under the Canadian system are rigidly controlled. Periodic quotas are established which allow growers to deliver so many bushels per acre planted. There were many years in the past when growers were allowed to deliver only half of their crops. Since even the initial payment is made only when grain is delivered, this means that producers are at the mercy of the Board for their income flow.

Finally, it should be noted that the task of the Canadian Board is much simpler than the corresponding task would be for a U.S. Board.

Given the U.S. predominance in international grain markets, the Canadians can use the U.S. prices as a basis and act accordingly. If the United States were to centralize marketings, the Board in effect would have monopoly power to set world prices. The consequences and the probability of error in Board decisions would be vastly greater.



Program for Grain

- (1) 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>	<u>Wheat</u>	<u>Total</u>
	(in millions of metric tons)		
1971-72	2.8	0.0	2.8
1972-73	3.5	9.4	12.9
1973-74	4.1	2.7	6.8
1974-75	1.2	1.0	2.2
1975-76 (to date)	5.6	4.2	9.8

The considerable variation in large bulk purchases by a single state 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 from the crop planting tend to contribute to price instability.

- (2) 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.
- (3) 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 bulk 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/<sup>NSC</sup> in my office to monitor these developments.
- (4) We have already sold a volume of wheat and feed grains which will take at least four 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 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.

- (5) 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.
  
- (6) 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.

THE WHITE HOUSE  
WASHINGTON

September 20, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

L. WILLIAM SEIDMAN

FROM:

JAMES E. CONNOR

SUBJECT:

Economic & Energy Meeting  
September 8, 1975

Your Memorandum of Decisions made at the Economic and Energy Meeting held September 8, 1975 has been reviewed.

Please continue to follow-up with appropriate action to implement the decisions made.

cc: Don Rumsfeld

THE WHITE HOUSE

WASHINGTON

ECONOMIC AND ENERGY MEETING

September 8, 1975

3:00 p.m.

MEMORANDUM OF DECISIONS

FROM: L. William Seidman

*LWS*

Decision 1: Negotiations for Long Term Grain Agreement with the Soviet Union

The President approved commencement of discussions with the Soviet Union to explore the possibilities of a long term grain agreement.

Implementation: Under Secretary of State Charles Robinson will head a small delegation including representatives of the Departments of State and Agriculture to the Soviet Union to undertake preliminary discussions with the Soviets. The delegation will depart Washington, Thursday, September 11.

Decision 2: Establishment of Food Committee

The President approved establishment of an Economic Policy Board/National Security Council Food Committee to monitor development with respect to grain sales to the Soviet Union.

Implementation: Mr. Seidman will coordinate formulation of a proposal outlining the responsibilities, membership, and chairmanship of the Food Committee.

Decision 3: Additional Sales to the Soviet Union During 1975-76 Crop Year

The President approved extending the present suspension on grain sales to the Soviet Union until mid-October when additional information on world supplies and demand is available.

Implementation: The Department of Agriculture will continue to monitor and implement the suspension of grain sales to the Soviet Union.



Decision 4: Grain Sales to Eastern Europe During 1975-76  
Crop Year

The President indicated that Secretary Butz and the Department of Agriculture should continue their present practice of monitoring grain sales to Eastern European countries and that Secretary Kissinger should discuss potential additional grain orders with the relevant Eastern European countries.

Implementation: Secretary Kissinger will undertake discussions with the relevant Eastern European countries.