

**The original documents are located in Box 2, folder “Grain - Russian Grain Deal”
of the Norman Ross Files, 1974-75
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1975 WHEAT ALLOTMENT DETERMINATION

Legislation provides that the allotment shall be determined as follows:

"Such allotment shall be the number of acres the Secretary determines on the basis of the estimated national average yield for the crop for which the determination is being made will produce the quantity (less imports) that he estimates will be utilized domestically and for export during the marketing year for such crop."

For the 1975-76 marketing year beginning July 1, 1975, the Inter-Agency Supply-Use Committee has determined that domestic use of wheat will be 830 million bushels and exports will be 900 million bushels giving a combined total of 1,730 million bushels. This amount less imports of 1 million bushels is the quantity required to be produced under the allotment. The attached table shows the committee's estimates.

The estimated national average yield for the 1975 crop is projected to be 32.8 bushels per acre.

If no adjustments are made for an increase or decrease in carryover stocks, the allotment is computed as follows:

$1,720,000,000 \text{ bushels} \div 32.8 \text{ bu. per ac.} = 52.7 \text{ million acres.}$

This acreage then becomes the basis for payments in 1975 if such payments become necessary.

Legislation also provides that the allotment may be adjusted to accomplish an increase or decrease in carryover stocks. It reads as follows:

"If the Secretary determines that carryover stocks are excessive or an increase in stocks is needed to assure a desirable carryover, he may adjust the allotment by the amount he determines will accomplish the desired decrease or increase in carryover stocks."

Since allotments are no longer restrictive, there is little correlation between the allotment and planted acres.

Now proposing 50.2 M acres



Wheat: Interagency Supply Use Committee Projections for 1975 Wheat
Allotment Determination

Item	1972-73 <u>1/</u>	1973-74 <u>2/</u>	1974-75 <u>2/</u>	1975-76 <u>2/</u>
Allotment (mil. ac.)	<u>3/</u> 19.7	<u>3/</u> 18.7	55.0	52.7
Program Yield (bu. per ac.)	29.8	31.0	32.6	32.8
Planted (mil. ac.)	54.9	59.0	70.7	68.0
Supply (mil. bu.)				
Beginning Stocks	863	438	180	494
Production	1,545	1,711	2,073	1,950
Imports	1	5	1	1
Total Supply	2,409	2,154	2,254	2,445
Dispositions (mil. bu.)				
Domestic food use	528	532	534	535
Feed	193	160	150	225
Seed	66	82	76	70
Total Domestic	787	774	760	830
Exports	1,184	1,200	1,000	900
Total Use	1,971	1,974	1,760	1,730
Carryover	438	180	494	715
Price (\$per bu.)	1.76	4.00	3.50	2.25

1/ Preliminary2/ Projected3/ Domestic AllotmentALLOTMENT DETERMINATION

Total Use 1730

Less Imports 11729 ÷ 32.8 = 52.7 Million
AcresPayments -- Maximum Potential

Payment base 1,729 mil. bu.

Maximum Payment Rate \$.68 per bushel (difference between \$2.05 guarantee and
\$1.37 loan)

Maximum Potential Payment \$1,175



The following table shows the reduction in allotment needed to accomplish a 100 million bushel reduction in the 1975-76 projected carryover.

Producer response would be based primarily on expected price levels in that lower prices could result in farmers reducing plantings as much as 3 million acres. In years when prices were expected to be at or below the target price level, the response might be greater.

Past experience with producer planting response to allotments provides no guidance as to producer planting response to the allotment under the current allotment concept. Based on our judgment a one million acre reduction in the allotment from this year's level would accomplish about a one-half million acre reduction in plantings.

Allotment (mil. ac.)	45.0
Program Yield (bu. per ac.)	32.8
Planted (mil. ac.)	62.0
Beginning stocks (mil. bu.)	494
Production (mil. bu.)	1,830
Imports (mil. bu.)	1
Total Supply (mil. bu.)	2,325
Domestic food use (mil. bu.)	535
Feed (mil. bu.)	225
Seed (mil. bu.)	70
Total Domestic (mil. bu.)	830
Exports (mil. bu.)	900
Total Use (mil. bu.)	1,730
Carryover (mil. bu.)	595
Price (\$ per bu.)	\$ 2.35

Payments -- Maximum Potential

Payment base 1,476 mil. bushels	
Maximum Payment Rate \$.68 per bushel (difference between \$2.05 guarantee and \$1.37 loan)	
Maximum Potential Payment	\$ 1,004

Based on our interpretation of the statute, we believe the reduction in carryover stocks might have to be calculated as follows:

Total use less imports	1,729
Reduction in stocks from 715 to 600	115
	1,614

$$1,614 \div 32.8 = 49.2 \text{ Allotment}$$

This calculation would provide for the reduction in carryover stocks, but would not necessarily accomplish the reduction in carryover stocks.



Background Paper for Presidential Briefing

Soviet Grain Situation

A cautionary note must be added to current estimates of the world grain situation. The Soviet Union's grain crop is a very large factor in the world grain market. Over the last 13 years, the USSR has been responsible for roughly 80 percent of the fluctuations in world import demand. Further evidence of the Soviet's significance in world grain markets is contained in the following production figures for calendar year 1973:

	<u>Grain Production</u> (million metric tons)		
	<u>Wheat</u>	<u>Total Grain (Incl. Rice)</u>	<u>Total Grain (Excl. Rice)</u>
USSR	100	215	213
U. S.	(To be supplied)		
World	360	1174	975

Thus the USSR is about as important as the U.S. in terms of total grain production.

The magnitude of Soviet grain production and its major impact on world import demand means that the Soviet Union plays and will play a major role in the world grain situation. Any assessment of the world grain situation,



therefore, must carefully consider Soviet grain prospects. Lack of Soviet cooperation in providing information to the outside world makes it difficult to obtain accurate data on the Soviet grain situation, hence the cautionary note on the reliability of current estimates on the overall world grain situation.

The Soviets have estimated their current grain crop to be in the range of 207-212 million (metric) tons, USDA has estimated 210 million tons while the CIA has estimated 198 million tons. With the harvest 75 percent complete at the end of the first week of September, the U.S. Agricultural Attache in Moscow estimates the crop to be in the 200-203 million ton range compared to last year's record harvest of 222.5 million tons. Production in the 198 million ton range, it is estimated, would barely meet the USSR's own rising requirements.

If grain production should fall short of requirements the Soviets would have the choice of either drawing-down carry-over stocks of 20 to 30 million tons from the record 1973 harvest or buying in the world market. Given current high grain prices, the Soviets will most likely chose to draw-



down stocks. However, the Soviets may limit or postpone additional grain aid to India which would result in greater pressure on world markets and the U.S. food aid program. This probable reduction in USSR crop prospects is also expected to dampen further the Soviets' neutral interest in the World Food Conference and harden their opposition to contribute to world food stocks.



THE SOVIET PROBLEM

A. Problem

From a situation of relative abundance during most of the 1960s, the world has moved into a period of tight food supply. How long this will last and whether this represents a secular trend is uncertain, but future shortages are at least a serious possibility. The World Food Conference will meet in November to address this problem.

Increased international cooperation in agriculture is needed to assure adequate production and distribution of food. Participation of the Soviet Union will be particularly important. The USSR was a major contributor to the current tight situation in food when in the summer of 1972 it compensated for a significant shortfall in its own grain production by entering without prior consultation into world markets (principally the U.S.) and purchasing almost 20 million tons of wheat, feedgrains and soybeans.

B. Background

Cooperation by the Soviets has been extremely limited in recent years, either with the U.S. or on a broader international scale. The Soviets have in general met the minimum informational requirements of their 1973 agricultural cooperation agreement with the U.S., although they recently refused to permit a USDA grains team visiting under the auspices of the agreement to travel through the New Lands



to inspect the current state of the crop there. The Soviets are a member of the International Wheat Council, but have provided only the minimum required statistical information on wheat production and exports to the Council and nothing on their reserve levels. The Soviets are not a member of the Food and Agriculture Organization (FAO) and have shown no inclination to join. They are also not members of the GATT, and in all likelihood will not be participating in the forthcoming multilateral trade negotiations (MTN). Finally, the Soviets have not participated actively in preparations for the forthcoming World Food Conference (WFC) in November, and have told us that they may attend the WFC only as observers.

On substance, we also have no indication that the Soviets are prepared to move from their traditional stance on non-cooperation in agriculture. We have been told (by Dr. Marei, the Secretary General of the WFC) that part of the Soviet reluctance to participate fully in the WFC is their dislike of a WFC proposal for a world-wide information-sharing scheme on food availabilities. It is even more unlikely that they would agree to participate in a world food reserve scheme, since they maintain tight secrecy about their own reserves, and are unlikely to give out information on their stock levels, let alone agree that these would be subject to international rules of acquisition and release.



Solutions We are Pursuing

The issues posed for us are: (a) what degree of Soviet cooperation is critical to the success of improved international efforts to improve the food situation? and (b) what efforts must the U.S. undertake to encourage Soviet participation?

Under our own agricultural agreement with the Soviets, we have deliberately kept the level of our major contribution under the agreement--release of advanced technology--in pace with the degree of Soviet willingness to provide us with adequate crop production and trade information.

Internationally, we are urging greater Soviet cooperation with international bodies such as the International Wheat Council, the forthcoming World Food Conference and the GATT multilateral trade negotiations group. Secretary Butz has just met with Ambassador Dobrynin, our ambassador to the WFC will be meeting with the Soviets in Rome next week, and we are considering further approaches to the Soviets on a more regular frequent basis, and perhaps at a higher level.

Since the WFC increasingly emphasizes the need for world cooperation on information exchange and food reserves, we believe further efforts must be made to encourage the Soviets to participate in these schemes. We are now working to spell out the sanctions which would apply to countries refusing to participate in a worldwide reserves scheme. Once these are formulated, we plan to give a clear indication to the Soviets that we intend to cooperate with others in enforcing these against non-participating countries.



RUSSIAN GRAIN DEAL

Specific Q's & A's

Q. Can you respond to charges that the Soviets got the "better" of the grain deal with the United States -- that we should have bargained harder with them for the wheat?

A. Let me simply state these facts, which have not gotten the attention they deserve: 1) The first Soviet bargaining position was for 10-year credit terms at 2%; they wound up with our terms of 3 years at little more than 6%. Secondly, out of this deal the U.S. farmer got an additional billion dollars in income; the taxpayers enjoyed a net saving of \$200 million in the reduced cost of government farm programs; several thousands jobs were created; our balance of payments and trade was strengthened -- at the cost of an outlay of \$120 million for export payments. Thus while the Russians clearly benefitted by receiving American wheat in a time of shortage, the benefits to this country were enormous.

Q. If there was no "scandal" involved in the wheat deal, why did the FBI look into the matter -- and what did they find?

A. A number of charges against the integrity of a number of individuals both within and without the Government had been bandied about in the heat of partisan debate last Fall. Secretary Butz requested that the President ask the Department of Justice to look into the grain deal, and the President acceded to that request. The Secretary felt that even though his Department and a House Subcommittee had investigated the matter and found no impropriety, the Department of Justice should independently and thoroughly review it so that the facts would be fully in the public domain.

The results of that investigation have now been made public: no illegality was found, no charges are warranted.

Q. How do you feel about legislation to reimburse farmers for profits lost -- when they were not informed of the size of the Soviet wheat demand and sold early?

A. Such legislation would establish a precedent we simply could not live with. As soon as our negotiations were completed on Saturday, July 8, they were announced to the world from the



Western White House, and simultaneously by the Department of Agriculture.

While I sympathize with the farmers of the Southwest who sold early, that has long been common practice in that region, because they harvest early and ordinarily get a premium over areas that harvest later. The continued expansion of our international agricultural market presaged by this agreement will work to the continuing benefit of all farmers and taxpayers. Exports last year topped \$10 billion -- a 25% rise over last year to the highest level in history.

Finally, with regard to the information available to the public, as early as the 20th of July, the Department of Agriculture put out a report on Soviet agriculture indicating that Soviet grain food production would be about 18% lower last year than the previous year. This report was carried by the national wire services. Eleven days later, prices had scarcely changed at all. Only after that did the Soviets make their big buy.

Q. Isn't it true that some of the big grain exporters had inside information which added immensely to their profits, information not available to the farmers?

A. No doubt, as a result of this enormous sale, some exporters did make considerable profits by virtue of the huge volumes involved. But the charge that they profited illicitly because of inside information was one of the subjects intensively reviewed and dismissed by the FBI.

Q. Didn't the recent report released by Elmer Staats of the GAO show that, even if there was no illegality by USDA, there was stupidity?

A. It is easy to find fault in retrospect. I think it is fair to say that export subsidies were maintained longer than they were needed had the full information on Russian demand been available to our decision makers. USDA has moved to rectify this situation and has recently added a new agricultural attache in Moscow to improve our ability to analyze foreign supply and demand requirements. But let me emphasize again that our trade expansion with the Russians, and the grain transaction in particular, have been good for the farmer, the taxpayer and our international posture.



THE WHITE HOUSE
WASHINGTON



Date: 9 / 19 / 74

Norm Ross

TO:

~~Mike Duval~~

FROM:

WARREN K. HENDRIKS, JR.

For your information:

XX

Comments:

*Pls. coordinate reply
w/ Eberle's guy. Their
action may want
you to check it over.
D*

September 18, 1974

received
Sept 23
File -

Deval

Dear Mr. Cotter:

This will acknowledge and thank you for your September 11 letter to the President concerning reports that Soviet officials are not keeping the 1973 agreement which permits U.S. Agricultural experts to inspect Soviet agricultural supplies.

You may be assured your letter will be called to the prompt attention of the President and his agricultural and export policy advisers.

With kindest regards,

Sincerely,

Max L. Friedersdorf
Deputy Assistant
to the President

The Honorable William R. Cotter
House of Representatives
Washington, D.C. 20515

bec: w/incoming to William Eberle for DRAFT REPLY.
-bec: w/incoming to Ken Cole - FYD

MLF:EF:VO:vo



WILLIAM R. COTTER
1ST DISTRICT, CONNECTICUT

WASHINGTON OFFICE:
213 CANNON BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-2265

9-16
BANKING AND CURRENCY
COMMITTEE
SCIENCE AND ASTRONAUTICS
COMMITTEE

Congress of the United States
House of Representatives
Washington, D.C. 20515

September 11, 1974

BT
The President
The White House
Washington, D. C.

Dear Mr. President:

I am concerned by recent reports that the Soviet Union has not lived up to its 1973 agreement to allow U.S. Agricultural experts to inspect the Soviet agricultural supplies.

As you know, without this information the United States is in a very poor position to anticipate future Soviet purchases of U.S. food commodities.

Without this information we could very well be hit with another Soviet Wheat Deal which would unexpectedly further deplete our food stocks and increase U.S. food prices more than already projected.

According to recent reports from the U.S. Department of Agriculture, there has been a substantial increase in corn export commitments. In light of this trend, I believe it is imperative that you undertake an immediate embargo on all grain exports to the Soviet Union until the Soviets live up to the spirit and letter of the 1973 agreement.

Sincerely,

William R. Cotter

WILLIAM R. COTTER
Member of Congress



NER-2

RESTRICTED USAGE

Re: Supporting P's position on purchase of grain by SU

THE WHITE HOUSE

WASHINGTON

,1974

Dear /s/

The President has asked me to thank you
for your recent ^{communication} ~~telegram~~ supporting his
position on the purchase of grain by the
Soviet Union.

Your kind and thoughtful views on this
important issue are very much appreciated.

Sincerely,

Norman E. Ross, Jr.
Assistant Director
Domestic Council

/s/
///
///

cut - 10/9/74 - bmr
proofed - bma/mah

NER:/s/
NER-2

(Rec. 10/9/74)



10/10

Re: Explaining P's position on sale of grain to SU

THE WHITE HOUSE

WASHINGTON

,1974

Dear /s/

This will acknowledge and thank you for your recent ~~Communication~~ telegram to the President concerning his decision on the sale of grain to the Soviet Union.

President Ford has repeatedly stated that he is a strong opponent of export controls. The President understands the effect export controls would have on the balance of payments and on farmers. The Administration continues to value the Soviet Union as a customer, and once we have a more definitive assessment and updated information as to the size of our crop, we hope to sell some or almost all they desire. However, that judgment will have to wait until we have complete assessment of supply and have determined the domestic requirements.

Sincerely,

Norman E. Ross, Jr.
Assistant Director
Domestic Council

/s/
///
///

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proofed - bmr/mah

NER:/s/
NER-1

(Rec. 10/9/74)



10/10

October 10, 1974

MEMORANDUM FOR: BILL TIMMONS
FROM: NORM ROSS
SUBJECT: Background Meeting - Grain Issue

Here is some background material on the grain issue:

1. In 1972, the USSR purchased approximately 19 million tons of grain from the United States. In 1973, purchases reached approximately six million tons. These shipments extended through the first half of 1974.
2. No new purchases were made from the spring of 1973 until last weekend.
3. We had known for two or three weeks prior to the purchases of last week that the USSR was in contact with the American grain exporters, but were unable to determine the volume of their intended total purchases.
4. Estimates by the private grain companies of probable USSR offtake ranged from zero to considerable amounts.
5. The USSR indicated in the two weeks prior to the purchase that their needs would be "modest". They would not be more specific. Obviously, "modest" is open to various interpretations.
6. In view of the US grain situation, Secretary Butz:



- a. Talked with Ambassador Dobrynin twice (last on Oct-October 1) about the short U. S. crop and told him that large purchases would give us a problem. Ambassador Dobrynin told us that purchases would be "modest". On further inquiry in Moscow, the USSR affirmed the "modest" description but would not be more specific. Obviously, "modest" is open to various interpretations.
 - b. Talked to the major exporters and asked them to call him about inquiries by the Russians for large purchases, and suggested that it would be desirable before executing any substantial sales contracts.
 - (1) Continental agreed to do that and did notify Secretary Butz of the negotiations for 1 million tons of corn. Secretary Butz did say that was within the volume we could handle, but asked that they string out the contract over a period of time and said he would prefer if they could wait until after the October 10 crop report to finalize the sale.
 - (2) Cook did not agree to call in advance of contract signing and did not call the USDA until after the contracts for 900,000 tons of wheat and 1.3 million tons of corn had been signed. This was their only legal commitment. At this point, it became clear that the USSR was attempting to purchase more grain than we could handle at this time.
7. Tab A confirms news release by Simon on October 4. Tab B contains White House news release.
8. Secretary Simon will be in the USSR this weekend. He will be accompanied by Deputy Assistant Secretary Richard Bell of the USDA. An effort will be made to work out arrangements for a more modest movement of commodities to the USSR.



Oct 4/

NOTICE TO THE PRESS

The Secretary of the Treasury, William E. Simon, announced today that contracts for the sale of approximately 125 million bushels of corn and wheat to the Soviet Union during the 1974-75 marketing year are being held in abeyance. These contracts, reported today by the Department of Agriculture, involve about 91 million bushels of corn and 34 million bushels of wheat. A portion of these contracts are expected to be delivered from other countries.

At the direction of the President, Secretary Simon has called the companies involved in the specific contracts, Continental Grain Company and Cook Company to request that they send representatives to Washington to meet with the President tomorrow.

Secretary Simon will be in Moscow next week at which time he will discuss the disposition of this matter with appropriate Soviet officials.

In addition, the President has directed that all major exporting companies be informed that for the time being, he expects that no large contracts for grain will be signed in the future without specific prior approval by the White House.



October 5, 1974

NOTICE TO THE PRESS

Representatives of Continental Grain Company and Cook Industries Inc. met today with President Ford and other officials of the United States government, to discuss recent grain contracts by the two companies with the Soviet Union. The President expressed his strong concern over the potential domestic impact that such sales could have at a time when the U.S. is experiencing a disappointing harvest of feed grains.

After discussions with Secretary Simon, Secretary Butz and Ambassador Eberle, the company representatives evidenced their full willingness to be responsive to these crucial domestic concerns. The two companies are now making arrangements for the cancellation of these contracts, in accordance with the government's request.

Government-to-government discussions are also being undertaken and Secretary Simon is planning to meet with appropriate officials of the Soviet Union during his visit to that country next week.

Grain exporters are being ^{invited} ~~called~~ to Washington D. C. on October ⁷ ~~8~~ to ^{discuss} formulate a system of voluntary cooperation and reporting that will assure reasonable supplies to both domestic and foreign users. It is anticipated that this voluntary cooperative effort will enable the United States to avoid the imposition of general export controls.



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western union

MAILGRAM

U.S. MAIL

Mr. G. E.

CLAYTON YEUTTER ASSISTANT SECRETARY OF AGRICULTURE DEPT OF AGRICULTURE
WASHINGTON DC 20250

THIS MAILGRAM IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE:

2024473111 MGM TDMT WASHINGTON DC 256 10-05 0753P EDT

ZIP 38116

MR EDWARD W COOK CHAIRMAN OF THE BOARD COOK INDUSTRIES INC

2185 DEMOCRAT RD

MEMPHIS TN 38116

DEAR MR COOK: ON OCTOBER 5, 1974, AT PRESIDENT FORDS INVITATION
YOU ATTENDED A MEETING AT THE WHITE HOUSE TO DISCUSS GRAIN EXPORTS
TO THE SOVIET UNION. AT THAT TIME, THE PRESIDENT EXPRESSED HIS
GROWING CONCERN OVER THE POTENTIAL IMPACT THAT SUCH EXPORTS COULD
HAVE AT A TIME WHEN THE UNITED STATES HAS EXPERIENCED A DISAPPOINTING
HARVEST OF FEED GRAINS.

COOK INDUSTRIES ENTERED INTO CERTAIN CONTRACTS FOR THE SALE OF
GRAIN TO THE SOVIET UNION WHICH WERE REPORTED TO THE UNITED STATES
DEPARTMENT OF AGRICULTURE ON OCTOBER 4, 1974. THESE CONTRACTS ARE
NOT IN THE NATIONAL INTEREST AT THIS TIME AND COOK INDUSTRIES SHOULD
NOT PROCEED TO IMPLEMENT THEM.

THIS LETTER IS TO CONFIRM, FORMALLY AND OFFICIALLY, THE GOVERNMENT'S
REQUEST THAT COOK INDUSTRIES REFRAIN FROM GRAIN SHIPMENTS TO THE
SOVIET UNION UNDER THESE CONTRACTS.

AS YOU KNOW, GRAIN EXPORTERS ARE BEING INVITED TO WASHINGTON, DC
ON OCTOBER 7 TO HELP FORMULATE A SYSTEM OF CO-OPERATION AND REPORTING
THAT WILL ASSURE REASONABLE SUPPLIES TO BOTH DOMESTIC AND FOREIGN
USERS. SINCERELY YOURS,

WILLIAM E SIMON, CHAIRMAN ECONOMIC POLICY BOARD WHITE HOUSE WASHINGTON
DC 20500

19153 EDT

MGMWSHT HSB



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2024473111 MGM TDMT WASHINGTON DC 10-05 0727P EDT

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western union

Mailgram



Mrs. Pse

CLAYTON YEUTTER ASSISTANT SECRETARY OF AGRICULTURE DEPT OF AGRICULTURE
WASHINGTON DC 20250

THIS MAILGRAM IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE:

2024473111 MGM TDMT WASHINGTON DC 256 10-05 0727P EDT

ZIP 10004

MR MICHEL FRIBOURG CHAIRMAN OF THE BOARD CONTINENTAL GRAIN CO

2 BROADWAY

NEW YORK NY 10004

DEAR MR FRIBOURG: ON OCTOBER 5, 1974, AT PRESIDENT FORDS INVITATION
YOU ATTENDED A MEETING AT THE WHITE HOUSE TO DISCUSS GRAIN EXPORTS
TO THE SOVIET UNION. AT THAT TIME, THE PRESIDENT EXPRESSED HIS

LONG CONCERN OVER THE POTENTIAL IMPACT THAT SUCH EXPORTS COULD
HAVE AT A TIME WHEN THE UNITED STATES HAS EXPERIENCE A DISAPPOINTING
HARVEST OF FEED GRAINS.

CONTINENTAL GRAIN COMPANY ENTERED INTO A CONTRACT FOR THE SALE
OF GRAIN TO THE SOVIET UNION WHICH WAS REPORTED TO THE UNITED STATES
DEPARTMENT OF AGRICULTURE ON OCTOBER 3, 1974. THIS CONTRACT IS
NOT IN THE NATIONAL INTEREST AT THIS TIME AND CONTINENTAL GRAIN
COMPANY SHOULD NOT PROCEED TO IMPLEMENT IT.

THIS LETTER IS TO CONFIRM, FORMALLY AND OFFICIALLY, THE GOVERNMENTS
REQUEST THAT CONTINENTAL GRAIN COMPANY REFRAIN FROM GRAIN SHIPMENTS
TO THE SOVIET UNION UNDER THIS CONTRACT.

AS YOU KNOW, GRAIN EXPORTERS ARE BEING INVITED TO WASHINGTON, DC
ON OCTOBER 7 TO HELP FORMULATE A SYSTEM OF CO-OPERATION AND REPORTING
THAT WILL ASSURE REASONABLE SUPPLIES TO BOTH DOMESTIC AND FOREIGN
USERS. SINCERELY YOURS,

WILLIAM E SIMON, CHAIRMAN ECONOMIC POLICY BOARD WHITE HOUSE WASHINGTON
DC 20500

19128 EDT

MGMWSHT HSB



U.S. GRAIN SITUATION AND PROSPECTS FOR U.S.S.R. GRAIN SALE

1. U.S. Production Prospects. Reflecting the unusually poor growing conditions, USDA's October Crop Report estimated U.S. total 1974 grain production at 201 million metric tons, down 14 percent from 1973 and 10 percent from 1972. This would still be the fifth largest crop in history, including production of:

- 4,718 million bushels (120 million metric tons) of corn.
- 152 million metric tons of feed grains (corn, sorghum, barley and oats).
- 1,781 million bushels (49 million metric tons) of wheat.

2. U.S. Domestic Requirements. Domestic feed grain usage is expected to be down about 15 percent in 1974/75, about 17 million metric tons, reflecting adjustments (lower feeding rates and reduced animal numbers) made in the livestock sector due to poorer profit prospects. The poorer profit prospects reflect a combination of factors, including higher feed prices, relatively low prices for livestock and poultry products, and reduced real consumer income.

3. U.S. exports of feed grains and wheat are forecast to decline by 26 percent, or 18 million metric tons, in 1974/75. The reduction in U.S. exports reflects declining rates of grain usage for animal feed in the world (a byproduct of the slower growth in world economies) and some increased export availabilities in other exporting countries. U.S. exports in 1974/75 are projected at the following levels:

- 750 to 900 million bushels (19 to 23 million metric tons) of corn.
- 22 to 28 million metric tons of feed grains.
- 950 to 1,050 million bushels (26 to 29 million metric tons) of wheat.
- 48 to 57 million metric tons of all grains.

4. U.S. grain exports to the U.S.S.R. totaled 13 million and 6 million metric tons, respectively, in 1972/73 and 1973/74. These shipments accounted for 18 percent and 9 percent of total U.S. grain exports in those 2 years. The U.S. Department of Agriculture had been thinking in terms of possible exports of 2 million tons of grain to the U.S.S.R. in 1974/75, which would account for only 4 percent of estimated total U.S. grain exports. This quantity should not unduly disrupt the U.S. market, especially if shipments are spread over the entire marketing year.

The U.S.S.R. has developed into a regular customer for U.S. grains over the past 3 years. It is expected that they will continue to be net importers in the foreseeable future as they continue to develop their livestock industry. Small grain shipments to the U.S.S.R. this year would appear to be in the longer-term national interest since our goal of all-out farm production depends on continued expansion in export markets.

Two tables showing U.S. supply and distribution of grains are attached. The first table shows the usual domestic units of measure -- bushels of corn and wheat and short tons of feed grains. The second table is in metric tons, the unit of measure usually used in international trade.



10/11/74

UNITED STATES: Grains Supply and Distribution

CROP YEAR	PRODUCTION	SUPPLY <u>1/</u>	DOMESTIC USE	EXPORTS	CARRYOVER
<u>C O R N</u> (million bushels)					
1972	5,573	6,700	4,733	1,258	709
1973	5,643	6,353	4,700	1,225	428
1974 (Oct. est.)	4,718	5,147	3,997	825*	325*
			(3,932-4,062)	(900-750)	(315-335)
<u>A L L F E E D G R A I N S 2/</u> (million short tons)					
1972	199.9	248.7	173.2	43.1	32.4
1973	205.0	237.7	173.4	43.8	20.5
1974 (Oct. est.)	168.0	188.9	147.7*	27.8*	13.4*
			(145.2-150.2)	(30.9-24.7)	(12.8-14.0)
<u>W H E A T</u> (million bushels)					
1972	1,545	2,409	785	1,185	439
1973	1,711	2,154	757	1,148	249
1974 (Oct. est.)	1,781	2,031	788*	1,000*	243*
			(763-813)	(1,050-950)	(218-268)

* Mid-point of range in USDA estimates.

1/ Beginning stocks, production and imports.

2/ Corn, grain sorghum, barley and oats.



UNITED STATES: Grains Supply and Distribution
(in millions of metric tons)

Crop Year	Production	Supply ^{1/}	Domestic Use	Exports	Carryover
<u>CORN</u>					
1972	141.6	170.2	120.2	32.0	18.0
1973	143.3	161.4	119.4	31.1	10.9
1974 (Oct. est.)	119.8	130.7	101.5*	21.0*	8.2*
			(99.9-103.2)	(22.9-19.1)	(8.0-8.5)
<u>ALL FEED GRAINS^{2/}</u>					
1972	181.3	225.5	157.2	39.1	29.2
1973	185.9	215.3	157.1	39.5	18.7
1974 (Oct. est.)	152.4	171.3	134.0*	25.2*	12.1*
			(131.7-136.2)	(28.0-22.4)	(11.6-12.7)
<u>WHEAT</u>					
1972	42.0	65.5	21.4	32.2	11.9
1973	46.6	58.6	20.5	31.3	6.8
1974 (Oct. est.)	48.5	55.3	21.5*	27.2*	6.6*
			(20.8-22.1)	(28.6-25.9)	(5.9-7.3)
<u>TOTAL FEED GRAINS & WHEAT</u>					
1972	223.3	291.0	178.6	71.3	41.1
1973	232.5	273.9	177.6	70.8	25.5
1974 (Oct. est.)	200.9	226.6	155.5*	52.4*	18.7*
			(152.5-158.3)	(56.6-48.3)	(17.5-20.0)

* Midpoint of range in USDA estimates.

^{1/} Beginning stocks, production and imports.

^{2/} Corn, grain sorghum, barley and oats.



DATE: Oct. 11, 1974
AGENCY: U.S. Department of Agriculture
SUBJECT: Grain to USSR

QUESTION: How much grain has been shipped to USSR?

ANSWER: U.S. Export Shipments of Grain to Soviet Union*:

	FISCAL YEAR	QUANTITY IN BUSHELS	DOLLAR VALUE
Wheat	1971	--	--
	1972	104,000	731,000**
	1973	344,276,000	558,026,000
	1974	99,811,000	217,418,000
Barley	1971	--	--
	1972	27,405,000	24,446,000
	1973	7,309,000	6,316,000
	1974	588,000	858,000
Corn	1971	--	--
	1972	63,816,000	88,112,000
	1973	128,882,000	181,589,000
	1974	162,330,000	237,329,000
Oats	1971	--	--
	1972	21,389,000	12,576,000
	1973	2,521,000	1,355,000
	1974	--	--
Soybeans	1971	--	--
	1972	--	--
	1973	31,542,000	119,285,000
	1974	654,000	5,507,000

* Does not include unknown quantities that went through third countries.

** Seed purchase cost.



October 18, 1974

FOR : MAX L. FRIEDERSDORF

FROM : WILLIAM D. EBERLE

WDE

OCT 18 1974

SUBJECT: Correspondence with Congressman Cotter

Attached is a draft reply responding to two letters and one telegram from Congressman Cotter regarding the Soviet grain sale, food shortages and the removal of Secretary Butz.

Attachment

CC:

General Dunn

Jim Murphy

Staff Secretary

Norm Ross

Skip Hartquist/db/Oct 18, 74



1019

DRAFT

Dear Congressman Cotter:

This is in reply to your recent communications regarding grain exports to the Soviet Union.

The Administration shares your concern with respect to the level of grain exports. Due to the unfavorable planting and growing weather experienced over large portions of the agricultural areas of the United States, the estimates of crop production have been continually lowered from our expectations of last spring. Despite the difficulties, we are still expecting a record wheat crop this year. Our primary concern is with feedgrains which are in tight supply world-wide.

As the grain situation has worsened, USDA has tightened its export monitoring system. Beginning on September 12, 1974, exporters were asked to report daily all sales of 100,000 tons or more of any one commodity to any one country. It was this reporting system which informed us of the recent Soviet purchases and permitted the President to act.

The export monitoring system was further tightened on October 2, when Secretary Butz met with virtually every major exporter of grain, soybeans and soybean products in the U.S. These exporters



were asked to obtain prior approval of export sales (1) exceeding 50,000 tons of any one commodity in any one day for shipment to any one country, (2) cumulative one-week totals exceeding 100,000 tons of any one commodity to any one country, and (3) changes of destination that would cause these levels to be exceeded. The commodities currently included in this system are wheat, corn, grain, sorghum, soybeans, soybean meal, oats and barley.

The guidelines for granting or denying prior approval include the following considerations: the total annual requirements of the country involved and the extent to which those requirements are already covered; U.S. availability; the level of the foreign country's 1974/75 crop; its stocks on hand; existing purchase contracts for future delivery; projected consumption; and the pattern of imports during recent years.

The U.S. is a net exporter of agricultural commodities and derives a significant portion of its foreign exchange from such sales. We believe, therefore, that the imposition of export controls with their negative impact on our overall economy should not be undertaken



unless absolutely necessary. We will continue to monitor closely the level of export sales and take whatever action is appropriate in light of the many domestic and foreign considerations involved.

Sincerely,

The Honorable William R. Cotter
House of Representatives
Washington, D. C. 20515



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PMS THE PRESIDENT

WHITE HOUSE DC

MR PRESIDENT, ON MARCH 19, 1974, I REQUESTED THAT SECRETARY
DUTZ ESTABLISH A MANDATORY EXPORT LICENSING PROGRAM IN ORDER
TO PREVENT THE MASSIVE EXPORT OF U.S. FARM GOODS. WE WERE
FORTUNATE THAT THE EXPORT MONITORING PROGRAM WHICH WAS
ESTABLISHED BY CONGRESS PROVIDED SOME INFORMATION IN A TIMELY
FASHION TO PREVENT THE RECENT SOVIET PURCHASE OF ALMOST ONE-HALF
A BILLION DOLLARS. THEREFORE, I RENEW MY REQUEST THAT YOU
REQUIRE A MANDATORY EXPORT LICENSING PROGRAM TO PROTECT
OUR DIMINISHED AGRICULTURAL CROPS AND ACT TO LOWER THE EVER-
RISING COST OF FOOD.

WILLIAM R COTTER MEMBER OF CONGRESS.



October 9, 1974

Dear Mr. Cotter:

I would like to acknowledge and thank you for your October 7 telegram and letter to the President expressing concern about food prices and food shortages.

You may be assured that your two communications were called to the attention of the President and his advisors on foreign trade and agricultural policies. I know that your views are receiving most careful consideration at this time, and I am sure you will hear further shortly.

With kind regards,

Sincerely,

**Max L. Friedersdorf
Deputy Assistant
to the President**

**The Honorable William R. Cotter
House of Representatives
Washington, D.C. 20515**

**✓ bcc w/incoming to Skip Hartquist (CIEP) - FYI
bcc w/incoming to Norm Ross - FWI**

MLF:EF:jk



WILLIAM R. COTTER
1ST DISTRICT, CONNECTICUT

10-8
BANKING AND CURRENCY
COMMITTEE
SCIENCE AND ASTRONAUTICS
COMMITTEE

WASHINGTON OFFICE:
213 CANNON BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-2265

*Remove Earl Butz
from grain shipment to USSR*

Congress of the United States

House of Representatives

Washington, D.C. 20515

October 7, 1974

BT
The President
The White House
Washington, D. C. 20500

Dear Mr. President:

I know that you are in the final stages of preparing your economic message to Congress and I respectfully request that you consider, as part of this new comprehensive program to fight inflation, removing Earl Butz as Secretary of Agriculture.

Secretary Butz has been totally insensitive to the rising price of food and has consistently refused to take effective action to prevent further food price increases. He must be replaced if there is to be any hope that food costs will stop rising.

Your actions this weekend to place an embargo on a possible shipment of over half a billion dollars worth of grain to the Soviet Union is commendable, but I believe that it is significant that this decision was taken by you without the approval of Secretary Butz who, only after the decision was made, approved of it.

Secretary Butz is a symbol of the callous attitude of the previous Nixon Administration to the plight of the family facing ever-rising food costs. As important, Secretary Butz did not take effective action in the area of food exports which contribute directly to higher food costs.

He should be replaced with a person who acts and understands both the problems of the farmers and the homemakers.

While I cannot blame Secretary Butz for the early flooding this year, and the frost that now afflicts the Mid-West, or the world food shortage, I do believe his insensitivity to the result of the Soviet Wheat Deal and his lack of effective action to require U.S. food export licensing and systematic

The President

-2-

October 7, 1974

allocation of scarce U.S. food exports to traditional U.S. trading partners, are in large measure responsible for the 33% increase in food prices during the last three years. And without a change of policy, the Agriculture Department projects another 10% increase next year.

Finally, Mr. President, I wish to call to your attention my letter to you of September 11, 1974 in which I urged an embargo on shipments of grain to the Soviet Union. Throughout this year I have written Secretary Butz on a number of occasions urging an updated export monitoring program and given the projected shortages during the Summer and Fall, asked for the establishment of a licensing program and an export allocation program to each of our traditional trading partners. Each of these proposals was ignored and the result of this inaction is that your Administration is currently faced with a potential food crisis.

I believe, in large measure, the current situation is caused by the inaction of Secretary Butz who refused to consider stricter controls over food exports and therefore our Nation will be better served by a person who is more sensitive, not only to the farmer, but also to the housewife.

Sincerely,



WILLIAM R. COTTER
Member of Congress



September 13, 1974

Dear Mr. Cotter:

This will acknowledge and thank you for your September 11 letter to the President concerning reports that Soviet officials are not keeping the 1973 agreement which permits U.S. Agricultural experts to inspect Soviet agricultural supplies.

You may be assured your letter will be called to the prompt attention of the President and his agricultural and export policy advisers.

With kindest regards,

Sincerely,

Max L. Friedersdorf
Deputy Assistant
to the President

The Honorable William R. Cotter
House of Representatives
Washington, D.C. 20515

~~cc:~~ w/incoming to William Eberle for DRAFT REPLY.
bcc: w/incoming to Ken Cole - FYØ

MLF:EF:VO:vo



WILLIAM R. COTTER
1ST DISTRICT, CONNECTICUT

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WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-2265

9-16
BANKING AND CURRENCY
COMMITTEE
SCIENCE AND ASTRONAUTICS
COMMITTEE

Congress of the United States
House of Representatives
Washington, D.C. 20515

September 11, 1974

BT
The President
The White House
Washington, D. C.

Dear Mr. President:

I am concerned by recent reports that the Soviet Union has not lived up to its 1973 agreement to allow U.S. Agricultural experts to inspect the Soviet agricultural supplies.

As you know, without this information the United States is in a very poor position to anticipate future Soviet purchases of U.S. food commodities.

Without this information we could very well be hit with another Soviet Wheat Deal which would unexpectedly further deplete our food stocks and increase U.S. food prices more than already projected.

According to recent reports from the U.S. Department of Agriculture, there has been a substantial increase in corn export commitments. In light of this trend, I believe it is imperative that you undertake an immediate embargo on all grain exports to the Soviet Union until the Soviets live up to the spirit and letter of the 1973 agreement.

Sincerely,

William R. Cotter

WILLIAM R. COTTER
Member of Congress

