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Voluntary Cooperation System for U.S. Grain Exports

1. With respect to wheat, corn, sorghum, soybeans, and soybean meal, exporters will be asked to cooperate in a voluntary system whereby they will obtain USDA approval prior to making (1) export sale contracts which would either (a) exceed 50,000 tons of any one commodity in any one day for shipment to any one country of destination, or (b) cause the cumulative quantity of sales of any one commodity made by any one firm to all destinations during any one week to exceed 100,000 tons; and/or (2) any change or changes in destinations, including unknown destinations, from those previously reported to USDA covering already existing contracts if the change or changes for any one commodity exceed 50,000 tons in any one day or accumulate to exceed 100,000 tons during any one week.

2. USDA will consult individually with export firms to seek their cooperation in the voluntary system, to discuss the basis which might be used for prior approvals, and to discuss other steps or information which might be needed.

10/7/74

October 8, 1974

SUBJECT: SECRETARY BUTZ ANNOUNCES A MODIFIED FORM OF CONTROLS

Secretary Butz yesterday told a meeting of exporters that, "It's no use kidding ourselves; this is a modified form of control." Didn't you tell us yesterday that the arrangements to cancel the contracts with Russia were voluntary?

GUIDANCE: The companies did agree to cancel these sales voluntarily following a request in a letter from Secretary Simon, as chairman of the Economic Policy Board.

Couldn't you say this was a form of modified controls?

GUIDANCE: That may be your interpretation, but it was done purely on a voluntary basis, and if we have the cooperation in the new reporting system set forth yesterday, the feeling is there will be no need for any controls.

What is the new reporting system developed yesterday?

GUIDANCE: We have a one page handout distributed by the Department of Agriculture yesterday and we can make that available to you.

(See attached)

- Q- Just a notification? No power to prohibit.
- A- No one wants controls: Farmers, quots, exporters and so we expect everyone to cooperate to make voluntary plan work



October 7, 1974

SUBJECT:

GRAIN SALE

Has the Continental Grain Company and Cook Industries cancelled their grain sale to Russia yet?

GUIDANCE: It is my understanding that the sales are in the process of being cancelled, with both Russia and the grain companies agreeing to void the sale as soon as possible.

What legal authority did the President use to cancel the sale?

GUIDANCE: The companies have agreed to cancel the sale voluntarily. In a letter from Secretary Simon, as Chairman of the ^{Economic} Policy Board, he requested the two companies to do this voluntarily. There is no government directive.

If the companies would not have done this voluntarily, would the ~~government~~ have moved in and stopped the sale?

GUIDANCE: That is a hypothetical question and don't believe I will get into the business of answering hypothetical questions.

Done voluntarily. Only way is export controls which Pres does not like.

Under what authority could the U.S. Government impose export controls on grain at this time? Didn't the Export Administration Act expire?

GUIDANCE: The Export Administration Act did expire on September 30. As you know, there is a Conference Report pending which recommends reinstating the Act.

However, the authority to impose export controls either generally or selectively comes in an Executive Order number 11810, Continuing the Regulation of Exports, signed by President Ford on September 30. This is the order which provides Commerce Department with authority to impose export controls.

Pres. opposed to export controls

Isn't it necessary for there to be a national emergency in order to use that power?

GUIDANCE: Yes, in issuing the Executive Order on September 30, the President noted that a national emergency, including the 1971 Economic Emergency declared by President Nixon continued to exist. *12 months.*

autho

GERALD R. FORD

Is this action by President Ford a prelude to export controls?

GUIDANCE: President Ford has already said that he's a strong opponent of export controls. He has a strong understanding of the effect this would have on the balance of payments and the effect on farmers.

*Controls
Would decrease production, we want full*

What is the purpose of the meeting being held at the U.S. Department of Agriculture today?

GUIDANCE: The grain exporters will be asked to strengthen and tighten up the present voluntary system of reporting. They probably will be asked to report all large contracts before finalizing them.

What is the present reporting requirement?

GUIDANCE: At the present time, grain companies are to report sales on a routine basis, that is weekly. Of sales of 100,000 tons or more, they are now to report daily.

*after
contract
is signed*

FYI ONLY: It is expected that in this meeting this afternoon, the grain companies will be *reported* ~~required~~ to have prior approval for the sale of 500,000 tons or more of wheat, feed grains, and soybeans. END FYI ONLY.

Didn't Secretary Butz meet with Ambassador Dobrynin last week? Didn't he mention anything about these purchases by Russia?

GUIDANCE: Secretary Butz and Ambassador Dobrynin did meet and discussed the purchase of grain by the Russians. However, there was no indication that the quantity involved would be of this size, *or the timing.*

Do we feel deceived by Dobrynin and the Russians?

GUIDANCE: No, certainly not. The Russians conducted negotiations with grain companies in the United States and concluded contracts for quantities larger than we could afford to sell them at this period of time. Actually, the timing of the purchase and the magnitude occurred just a few days prior to a revised crop report coming out. Following the frost in the midwest, we need a more accurate assessment of the crop size and that will be coming out October 10.

Q - Russians mad.

A - Not heard ab (More)

any.



Do you still anticipate selling some of this grain to Russia?

GUIDANCE: We continue to value the Soviet Union as a customer, and once we have a more definitive assessment and updated information as to the size of the crop, we hope to sell some or almost all they desire. However, that judgment will have to wait until we have a more complete assessment of supply and determine domestic usage. It just appears to us that this sale was premature.

What impact will this announcement have on our other trading partners such as Japan, Europe, etc.?

GUIDANCE: We will, of course, be consulting with these countries about the situation. I should note that many of these countries have already placed orders for their grain requirements for the current crop year.

Already determined enough by them

By voiding these two sales, and by requiring prior approval before any large sales can be completed, isn't this actually a form of export controls?

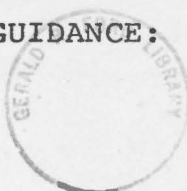
GUIDANCE: No. We feel that strengthening the voluntary system is far less restrictive than general export controls. We believe that we can continue to operate in a free market society, but in this case where the uncertainty of the actual size of this year's crop, especially following the frost, this action was warranted.

Is the press able to attend the 2 o'clock meeting at Agriculture?

GUIDANCE: The meeting at 2 o'clock with grain exporters is an open meeting and will be held in the Jefferson Auditorium. It is my understanding the press will not be allowed to ask any questions during the meeting, but Secretary Butz will hold a press briefing in the Jefferson Auditorium following that meeting.

Did we attempt to determine in advance how much grain the Soviets would need this year from us?

GUIDANCE: We have been in touch with the Soviets as with all our major trading partners to consult on the implications of the tight grain market. The Soviets told us their purchases would be substantially reduced from previous years. They did not inform us specifically of the magnitude of their latest purchase.



October 7, 1974

FACTS ON GRAIN SALE

Amount of Grain involved:

Corn 2.3 million tons (\$2 million bushels)
Continental - 1.
Cook - 1.3

Wheat 900,000 tons (34 million bushels)

Present estimated size of crop:

Corn - New crop 4.995 billion bushels
- Carry over 428 million bushels
- Import 1 million bushels
TOTAL 5.424 billion bushels available in U.S.

Total usage, including exports - 5.064-5.084 billion bu.

Excess 340-360 million bushels

Wheat- New crop 1.792 billion bushels
- Carry over 249 million bushels
- Import 1 million bushels
TOTAL 2.042 billion bushels available in U.S.

Total usage and exports - 1.715-1.765 billion bushels

Excess 277-327 million bushels

Corn is a feed grain, used for livestock, poultry, etc.

Wheat is a food grain and consumed directly.

Most of the wheat crop has already been harvested, and no shortage is expected. However, until the revised corn crop figures come out October 10, we won't know with certainty, its size. If there is a corn shortage, then they must turn to wheat as a substitute.

	<u>1972</u>	<u>GRAIN SALE</u>	<u>1973</u>
Wheat	11 million tons (404 million bushels)		2.7 million tons (100 million bushels)
Corn	5 million tons (197 million bushels)		3.0 million tons (118 million bushels)
Soybeans	1.0 million tons (37 million bushels)		

Q. Does the President know about the demands for Mr. Butz's resignation and what does he think about that?

A. The President has seen some of the stories about people demanding Mr. Butz's resignation. The President believes Mr. Butz should not resign. On balance, the President believes the Department of Agriculture has done a good job.



October 7, 1974

QUOTE FROM THE PRESIDENT CONCERNING [REDACTED]

"We took appropriate and very strong action which resulted in a good temporary solution. Now we hope that negotiations will result in a long-term solution which will allow sales overseas be spread over a longer period."



COUNCIL ON INTERNATIONAL ECONOMIC POLICY
WASHINGTON, D.C. 20500

October 9, 1974

74
DN has seen

MEMORANDUM FOR: RON NESSEN
FROM: ED HULLANDER
SUBJECT: Background Material for Questions
on Edward W. Cook's Statement
before Senator Jackson

The following is background material you might want to consider if you receive an inquiry concerning Mr. Cook's statement before Senator Jackson involving Ambassador Eberle.

The President's meeting with the major grain trading cooperatives Saturday was focused around the need for cooperation both on the part of those countries which buy in U.S. markets, as well as those trading companies that sell to these countries. It was stressed that cooperation was essential. The consequence of not receiving this cooperation would be to force the Government to go into export controls; and even if the Administration chose not to put on export controls, it is highly likely that Congress would force controls upon us. At the conclusion of the meeting, it was decided that all significant offers would be cleared by U.S. Government prior to entering into contracts regardless of the destination of the shipment. It was decided that more formal procedures would be issued on Monday. As the meeting was breaking up, Edward W. Cook of Cook Industries asked a general question regarding a matter of current business. He had a contract with Iran for the sale of 400,000 tons of wheat and asked if he could proceed. Ambassador Eberle indicated that this transaction should be handled in the procedure that they had just agreed upon.



July 9, 1975

U. S. - SOVIET GRAIN DEAL

The following guidance was approved by the State Department for its use in response to questions on a possible U. S. - Soviet grain deal, a deal which we cannot confirm yet, but which the State Department thinks is probably in the works.

Q. Can you confirm the reports that the U. S. and Soviet Union are about to conclude a major grain deal? How would such a purchase effect the U. S. grain supply?

A. We are looking at the reports of possible Soviet grain purchases in the U. S. and are watching the situation closely.

Thusfar, we have not had any reports of such purchases.

As you know, U. S. grain dealers are obliged to report substantial sales of wheat, feed grains and soy beans to the U. S. Department of Agriculture, and I would refer you to that department for any further information.

I might add that the U. S. is expecting record wheat and corn crops this year, well in excess of anticipated domestic and export needs.

Rev.

July 16, 1975

SUBJECT: SOVIET GRAIN SALE

The Department of Agriculture has suggested that this country's grains sales might be adequate to absorb a Soviet grain purchase of as much as 14 million tons of wheat and corn. According to news stories, some departments and agencies feel this is too high.

Is the President confident that we will not make a grain sale to Russia which will add to inflation and hurt the American consumer?

GUIDANCE: We are monitoring the purchases and sales of American grain in export markets closely. The USDA is in constant touch with the major exporting firms, so that we have the ability to obtain a good count on what is actively being offered and purchased.

What volume of sales have already been made by the Russians?

GUIDANCE: So far there have been no major purchases that involve American firms, although the prospect for some substantial purchases in the next few weeks is very good.

Do you concede that a substantial sale to the Russians could result in higher costs for the American consumer?

GUIDANCE: At this time, we expect that substantial grain sale to the Soviet Union would not have a significant effect on domestic prices, once the corn crop is in. The monitoring is occurring and at the same time we are watching our prospects for crops here, along with monitoring the outlook for American consumption as the economy turns around and goes into a high growth period.

What is the crop outlook for this year?

GUIDANCE: The crop outlook at the present time in the United States is exceedingly good. Wheat production should be more than 20% over last year's record output, while corn production is expected to be 5% to 10% above the previous record crop.

(More)

I might just point out that the wheat production is reasonably assured. There is some uncertainty about the corn production, because the corn crop, of course, is not in yet.

What size crops are we talking about this year?

GUIDANCE: The USDA forecast for wheat is about 60 million metric tons (2.2 billion bushels) in 1975. The corn crop is forecast at about 155 million metric tons (6.1 billion bushels).

What was the 1972 Soviet purchase?

GUIDANCE: In 1972, the Soviet's purchased 11 million metric tons of wheat and 8.2 million metric tons of feed grains, for a total of 19.2 million metric tons.

What are the figures being talked about this year?

GUIDANCE: From what I read in the papers, I have seen them talking about 5 million metric tons to 10 million metric tons, in one instance, I saw even up to 14 million metric tons. As you can see, this is considerably less than the 1972 purchase, and even less when you consider that this year's crop is larger than the 1972 crop.

What machinery is there to insure that we do not end up with the Russian's purchasing more grains than we can handle?

GUIDANCE: Grain companies have to report any sale over 100,000 tons (3.6 million bushels) 24 hours before the sale is consummated. We are in constant touch with the grain companies and feel that this mechanism should be a safeguard against too large a sale.

I might just point for the American farmers to make a meaningful income, and since the U.S. only uses or consumes approximately 1/3 of our crop, this means that 2/3 of our wheat and corn crop must be exported. We want grain sales to the Soviet Union and the only question is how much can we make and that's what we are monitoring and following very closely.

July 17, 1975

SUBJECT:

U.S. COMPANY AND U.S.S.R.
AGREE ON WHEAT SALE

The U.S. Department of Agriculture announced last night that negotiations have been completed for the sale of 2 million metric tons of U.S. wheat to the U.S.S.R. The USDA will announce this morning the sale of an additional 1.2 million metric tons of wheat.

What's the White House reaction to the recent grain sales to the Soviet Union?

GUIDANCE: As you know, the United States uses approximately one-third of its wheat crop and slightly more than that of its corn crop, so the U.S. has to export almost 60% of its wheat crop and about that of its corn crop. This year, the USDA is projecting a wheat crop of about 60 million metric tons and a corn crop of 155 million metric tons. Therefore, we are pleased to have the Soviet Union as a customer for our agriculture products. It appears they have now made commitments to purchase 3.2 million metric tons and feel this obviously can be delivered without any problems to the American consumer.

How many more sales are expected and just what is the point at which the sales will start hurting the American consumer?

GUIDANCE: We are monitoring the purchase and sale of American grain very closely. It is my understanding that no final determination has been made as to just where the break-off point is, but there certainly is no problem at this time.

Why did the Russian grain sale of 1972 cause such havoc with consumer prices and similar sales at this time will not cause any problems?

GUIDANCE: In 1972, the Soviet Union purchased 11 million metric tons of wheat. In 1972, our total wheat crop was 42 million metric tons, or in other words, they purchased over one-fourth of our wheat crop. In 1975, it is my understanding the Russians are talking about purchasing 5-6 million metric tons of wheat, whereas our crop size is expected to be in the order of 60 million tons.

In addition, the world conditions are much different now than in 1972. In 1972, many other countries had poor wheat crops, but this year, Canada and the European countries expect bumper wheat crops. (See attached Guidance from yesterday.)

JGC

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JGC

July 22, 1975

SUBJECT:

LONGSHOREMEN MAY NOT
CARRY GRAIN TO RUSSIA

Is the President concerned about the longshoremen
refusing to carry American grain to Russia?

GUIDANCE: The 1972 maritime agreement between the U.S. and the Soviet Union provides that U.S. and Soviet flag ships will each have access to a substantial (minimum of 1/3 of total tonnage) share of the cargo moving between the two countries and that partly (measured by weight carried) will be maintained in the grain cargo movement. Renewal negotiations for this agreement are underway. The agreement is scheduled to expire December 31, 1975.

As to the specific matter namely the ILA resolution on this subject, it is not appropriate to comment at this time. Should a problem arise in this area, the Administration is prepared to discuss it with the ILA, with the American Federation of Labor and other interested groups.

However, at this time we feel it would be premature to get involved.

July 22, 1975

SUBJECT:

3RD SOVIET-U.S. GRAIN
DEAL COMPLETED

Continental Grain Company announced Monday it has completed an agreement to sell 5.6 million metric tons of corn and barley to the Soviet Union in a \$600 million feed grain deal, the third major one this year. The company said the grain would be shipped after it is harvested in October.

Any reaction to the Soviet grain sale?

GUIDANCE: The forecast size of the corn crop is about 6.1 billion bushels or 155 million metric tons. The Soviet sale is for 220 million bushels or 5.6 million metric tons, so this is really a very small percentage of the forecast crop. (This is the first corn sale. Previous sales of 3.2 million metric tons were of wheat.)

We are not aware of any other negotiations going on at this time. This sale falls well within the limits of caution expressed by the Secretary of Agriculture some time ago.

Once the corn crop comes in in September or early October, and we know with certainty the crop size, it's likely we'll be looking at further sales at that point.

Will this sale have any effect on food prices?

GUIDANCE: I doubt if there will be any effect on prices. These sales have been anticipated by the market for some time and future prices clearly reflect sales of this size. There is no forecast impact from a 5.5 million ton sale.

July 24, 1975

SUBJECT:

COMPARISON OF U.S./SOVIET GRAIN
DEAL 1972/1975

1972

1975

- | | |
|--|---|
| <p>1. U.S. wheat production was 42.0 million metric tons. Wheat sales to the Soviet Union totaled 11.8 million tons or 28% of production.</p> <p>2. Total supply, production plus carryover was 65.5 million tons, with Soviet sale equal to 18%.</p> <p>3. Subtracting domestic use of 21.4 million tons from total supply of 65.5 million tons, the amount available for export and carry over was 44.1 million tons. Total sold to Soviet Union was 11.8 million tons or 26% of total.</p> <p>4. Until Mid-September 1972 the U.S. paid export subsidies for American farmers on wheat sold in export, as it had for many years as a means of supporting depressed U.S. wheat prices. In 1972, about \$160 million in subsidies was paid for U.S. farmers on the portion of wheat exports that were sold to the Soviet Union.</p> <p>5. World export prices - 1.63 per bushel. Average subsidy - 40.6¢ per bushel.</p> <p>6. The Commodity Credit Corp. provided 3 year credit to the Soviet Union to purchase about 7 million tons of the 12 million tons that were shipped.</p> <p>7. No requirement that U.S. grain export firms report current sales to the government.</p> | <p>1. U.S. wheat production is 59.5 million metric tons, while Soviet wheat sales so far have totaled 4.2 million tons or 7% of production.</p> <p>2. Total supply is 67.5 million tons with Soviet sales equal to 6%.</p> <p>3. Subtracting domestic use of 21.7 million tons from total supply of 67.5, the amount available for export and carryover is 45.8 million tons. Sales so far to Soviet Union total 4.4 mt or 9.6%</p> <p>4. No export subsidies will be paid out for U.S. farmers on wheat exported this year.</p> <p>5. World export price - about \$4 per bushel. No subsidy paid.</p> <p>6. No government credit involved in sales to the Soviet Union this year.</p> <p>7. Firms must report to the Department of Agriculture within 24 hours sales of 100,00 met. tons or more to any destination.</p> |
|--|---|

Comparison of 1972/73 and 1975/76 Supplies of U.S. Grains and Exports to the U.S.S.R.

	WHEAT		CORN	
	July 1975/June 1976		Oct. 1975/Sept. 1976	
	<u>1972/73</u> (million tons)	<u>1975/76</u> 3/	<u>1972/73</u> (million tons)	<u>1975/76</u> 3/
U.S. Production	42.0	59.5	141.6	153.6
U.S. Supply <u>1/</u>	65.5	67.5	170.2	162.7
U.S. Domestic Use	21.4	21.7	120.1	110.8
Available for Export and Carryover	44.1	45.8	50.1	51.9
<u>U.S. Sales to the U.S.S.R.:</u>				
Quantity	11.8	4.4	6.2 <u>2/</u>	4.7
Average subsidy paid on total quantity of sales				
(\$/M.T.)	(14.92)	None	None	None
(¢/bu.)	(40.6)	None	None	None
<u>U.S. Export Shipments to the U.S.S.R.:</u>				
Quantity	9.4		3.4	
Quantity under CCC credit	5.7	None	1.3	None

1/ Includes production and carryin stocks (beginning of marketing year).

2/ Sales made prior to beginning of marketing year.

3/ 1975/76 production, supply, use, and quantities for export and carryover are estimates.

G

August 6, 1975

SUBJECT: WHEAT SALE TO RUSSIA

Has the Administration placed export controls on wheat sales to USSR?

GUIDANCE: The Administration has not placed any export controls on U.S. grain sales to Russia. It is my understanding that there are no negotiations going on at the present time.

Why are there no negotiations at this time?

GUIDANCE: We know that the Russians are reassessing their situation just as American export firms are reassessing our situation. We are waiting for next Monday's corn crop report to have a better indication and better feel of just how much more we can export.

Isn't it correct that the U.S. Department of Agriculture has instructed the export firms not to make any sales to the Russians without first getting USDA's approval?

GUIDANCE: On July 24th, Assistant Secretary of Agriculture, Dick Bell, asked the export firms to notify him in advance if there were any negotiations concerning wheat and feed grain sales. As you know, the export firms were to notify USDA within 24 hours of consummating any grain sale, but now, we have asked them to notify us at the beginning of any negotiations. This is just a further step in following the situation very closely.

When would you expect future grain sales to resume?

GUIDANCE: Next Monday, the crop report will come out at 3 o'clock from the U.S. Department of Agriculture, and they will hold a briefing at 3:30. I think following that report we will reassess our situation and look at these figures, and the Russians will also reassess their situation.

JGC

August 26, 1975

SUBJECT:

DUNLOP TO HOLD MEETING ON
SOVIET GRAIN DEAL WITH MEANY

For Your Information

At 11 o'clock a.m. at the Department of Labor today, Secretary Dunlop will hold a meeting on the Soviet grain deal with George Meany, Paul Hall, and Tom Gleason.

Also participating from the Administration are: Bill Seidman, Jim Lynn, and Paul MacAvoy.

As we have already announced, the President will be meeting with Secretary Dunlop and Mr. Meany at 3:30 p.m. here at the White House.

JGC

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JGC

August 29, 1975

SUBJECT:

OMB KNOCKS DOWN BUTZ PLAN
FOR INCREASED GRAIN INSPECTORS

According to the New York Times, the White House and OMB have blocked a proposal by USDA to reform the scandal ridden U.S. grain inspection. The original plan would have eliminated the inspection of grain by private agencies and hired about 900 grain inspectors by USDA.

Did OMB block a proposal by USDA to reform the grain inspection system?

GUIDANCE: There have been some problems in the grain inspection system, particularly in the New Orleans area. Everyone agrees that these problems must be corrected and the only question is how to best correct them.

It is my understanding that the one proposal called for eliminating the private grain inspectors and hiring up to some 900 Federal employees to do the inspections. The proposal being considered by the Administration is to continue using the private sector grain inspectors, but hiring an additional 200 inspectors to more closely supervise and scrutinize the private grain inspectors.

I should point out that we have been using private sector inspectors for many years, and in general, they have proved very capable. There have been a few instances where there have been problems, and that is why we feel we do need to tighten up the supervision of the grain inspectors. That is why there is a proposal now calling for the increase of Federal supervisors by 200 agents, and that move more than doubles the present allotment.

Isn't it correct that increased cost for these inspectors would be offset by user fees?

GUIDANCE: It is correct that the Federal government would not have to pay any additional because the cost would be offset by user fees. However, someone would have to pay and it would result in higher costs at some point. In addition, the President is in the process of trying to reduce the size of the Federal bureaucracy, and not add to it.

When will the reform program be sent to Congress?

GUIDANCE: I would expect the proposal to go to Congress immediately after it returns from recess.

JGC

*Revised 3
Admin (OMB)*

(See)

*Now = less
than 100*

September 10, 1975

SUBJECT:

FOLLOW-UP ON SOVIET GRAIN QUESTIONS

The President announced yesterday that he was establishing a Food Committee of the EPB/NSC. Why is there a need for another Food Committee when you already have two or three other Food Committees?

GUIDANCE: As you mentioned, the President did yesterday establish a new Food Committee, to be comprised of personnel from EPB and NSC. The purpose of this Committee is to develop new procedures for long term agreements and sales of feed grains and wheat to large purchasers, such as the Soviet Union. As the President said, regular purchases would be beneficial to the American farmer, the transportation industry and the American consumer, as well as in the interest of our customers abroad.

There is an International Food Review Group, chaired by Dr. Kissinger. This Group was established following the World Food Conference and their job is to follow-up on World Food Conference issues. At the present time, their main focus of attention is on the issue of world grain reserves. This Group is interested in one main issue. Other members of this Group are Lynn, Simon, Butz, Seidman, Greenspan, etc.

There is also a Food Deputies Group, chaired by Paul McAvoy. This membership is made up of the second level people from the various Departments and Agencies, and their main purpose is to review all agricultural policy, so they have a very broad function. The Food Deputies Group will act as the staff for this new Food Committee.

JGC

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THE WHITE HOUSE

WASHINGTON

September 25, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN
SUBJECT: Grain Sales to Eastern Europe

Ron Nessen was asked yesterday in his daily news briefing if he had any comments on the situation regarding grain trading with Poland. He responded that "as far as I know, there has been no official announcement made of a moratorium on grain trade with Poland."

I am informed that the Department of State announced yesterday the following: "There is no moratorium on grain sales to Eastern Europe. The Poles did make known their desire for additional grain shipments and we have asked the Polish government to defer purchases until October when we will have a better view of the crop situation."

Possible Questions and Answers

The following are questions the Press Office informs us they are likely to be asked and some suggested answers that have been coordinated with NSC and State:

- Q. Is there a moratorium on grain sales to Poland?
- A. It is my understanding that the Poles did make known their desire for additional grain shipments. We asked the Polish Government not to complete discussions for additional purchases until after the October Crop Report when we will have a better idea of the size of our final crop.
- Q. Have you discussed a moratorium on grain sales with any other Eastern European countries?
- A. We have not had any other requests for additional purchases from other Eastern European countries.
- Q. What volume of purchases did the Polish Government request?
- A. The volume of purchases is a matter between the two Governments which is inappropriate to discuss for that reason.

- Q. Will additional sales to the Soviet Union prevent us from providing Poland with the amount that they want?
- A. We expect to be able to resume sales to the Poles as soon as the size of our final crop is clarified with the October Crop Report.

THE WHITE HOUSE

WASHINGTON

September 29, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: Grain Export Policy During Negotiations with
the Soviet Union on a Long-Term Agreement

The Economic Policy Board/NSC Food Committee has reviewed the issue of additional grain sales to Poland. Secretary Butz has strongly urged in a memorandum attached at Tab A that the suspension of sales to Poland be lifted and that you announce this in Omaha this Wednesday.

This memorandum briefly reviews the effects of the hold on Soviet and Polish purchases and the options available with respect to extending or dropping the hold on sales to Poland.

Effects of the Suspension of Sales to the Soviet Union

When large Soviet grain purchases first occurred in early July, grain prices rose immediately and dramatically. Between July 7 and August 7 the price of December wheat in Chicago rose 28 percent and the price of December corn rose 26 percent. These price increases, if continued, would have had potentially strong adverse effects on consumer prices next year. The price increases were especially serious in view of their possible consequences for livestock production in 1976.

The August 11 suspension on sales to the Soviet Union was effective in dampening the run-up of grain and soybean prices. It is questionable whether the hold on the Soviet Union can stabilize grain prices much longer. The Soviets already have cut off most of their grain exports to Eastern Europe. This has shifted East European import demands to other countries, predominantly the United States. Between July and September, the USDA increased its estimate of East European grain imports from Western sources by 3.1 million metric tons, 3.0 of which was projected from the United States. For the embargo on grain exports to be effective in preventing grain price increases in future months it will have to be extended to other countries besides the USSR.

The halt to further grain sales to Poland in response to their request for 0.8 million metric tons helped to keep the Russian sales ban effective. It was also useful in preserving bargaining leverage for the US-USSR grain discussions. However, it has not been accepted well by the grain farmers. They had been ready to accept limitations on sales to the Soviets with the understanding that we would supply the market demands of all other customers. This understanding has been thrown into question by the extension of the moratorium to include additional sales to Poland.

The CIA now estimates total Soviet grain purchases at 20 million metric tons, with an increase of three million tons last week. The additional purchases were all quite small, mainly of coarse grains, from Argentina, Brazil, Canada, Spain, and the EC. These sales are probably all that the Soviets can obtain at this time.

The next possible stage of development is further Soviet purchases elsewhere that divert other suppliers' customers to the United States. The Soviets could soon begin to "crowd out" other buyers in Argentina or elsewhere so that these other buyers have to come to the United States for normal supplies. CIA indicates that these countries are not diverting grain from their regular customers to the Soviets. Nor are sales by international grain firms with unspecified source showing any increase over their normal percentage of about ten percent. Nonetheless, it would be only a matter of time before the Soviet demands are shifted indirectly to the U.S. export market. This seems unavoidable as long as we maintain a policy of open markets to any sizeable group of countries.

Decision

That grain sales to Poland be resumed and that the resumption be announced in Omaha on Wednesday as proposed in Secretary Butz's memorandum. (Tab A)

Approve _____ Disapprove _____



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

September 29, 1975

Mr. Roger Porter
The White House
Washington, D. C. 20500

Dear Mr. Porter:

Poland has been a long time consistent buyer of U. S. Agriculture commodities. We have known in advance their approximate needs before harvest time and in the marketing year 1974-75 they purchased from the U. S. 868,000 metric tons of grain. A portion of their purchases has been traditionally made with CCC credit. We have excellent commercial relations with the Poles and have a good exchange of information program working.

At the first meeting of the U. S.-Poland joint working group, April 28, 1975, we were informed by the Poles that they expected to buy from the U. S. 950,000 to 1,400,000 metric tons of grain in the years 1975-76, 1976-77 and 1977-78 respectively. Because of the drought conditions in Poland this summer the Poles have let us know that they need to import from us additional grain this year. Ambassador Trampczynski indicated to Assistant Secretary Bell a need for an additional 800,000 to 1,000,000 metric tons. Minister of Agriculture Barcikowski has met with me and indicated the Poles are very much interested in a long term purchase agreement of 2,500,000 metric tons. We have told them of our interest in them as a long time valued customer and that we plan to supply their import needs. To date the Poles have purchased 898,000 metric tons of wheat and 1,088,000 metric tons of other grains for a total of 1,981,000 metric tons. The question of a hold on additional sales to Poland was discussed on September 8, 1975. Sometime shortly thereafter there was a call made to the Polish Embassy requesting them not to buy in our grain market until mid October. The news of this embargo hit the press on September 22, 1975. Farmers are very interested to know when this embargo was placed on Poland. The question on this will certainly be raised in Omaha on October 1.

It is possible that you will be asked if the telephone call from State to the Polish Embassy occurred prior to your meeting with the Farm Bureau leadership on September 15, and if it did, why no mention of this was made during the conference. In this event we

think you should indicate that sales to Poland prior to September 8 were in excess of normal annual sales to Poland and that additional anticipated sales to Poland would be roughly equivalent to the shortfall of Soviet sales to Poland. Therefore, this temporary suspension was put in place during the time of discussion with the Soviets relative to a long term grain agreement. Not to have done so would have partially eroded our bargaining position in negotiations with the Soviets.

RECOMMENDATION: It is my feeling that the negatives on the suspension of sales to Poland substantially outweigh the positives. It can be argued to the extent that had we continued our normal sales to Poland, the remaining supply from which Russia could make purchases would be lessened and therefore, pressure on the Soviets would have been greater. It is obvious that the Soviets would not make up the deficit of shipments to Poland regardless of our sales or lack of sales to Poland.

The temporary suspension of sales to Poland serve to further erode our credibility in the grain belt after you had pretty much neutralized that through your conference with the Farm Bureau personnel on September 15. I think our action was rather a severe jolt to the Polesh, especially in view of your amity reached with First Secretary Gierck. Indeed, when Polish Minister of Agriculture Barcikowski and Ambassador Trampczynski were in my office on September 22, the Minister of Agriculture mentioned this very point. We assured them that the suspension would be lifted shortly and they would be able to receive 800 to 1,000,000 tons of grain. At that point, they mentioned since the Soviets would also be buying in our market they would have to pay higher prices than if the transaction had not been delayed. I doubt that this is substantially true, but no one will ever convince the Polesh. They will always feel this cost them an additional \$30 million.

I think it would be well to quietly phone the Polish Ambassador prior to the Omaha conference and tell him that our supply situation is now such that the temporary suspension is ended and that they can continue active negotiations to purchase their requirements. It might be desirable to request them to purchase only a part of it -- perhaps one-half in the next month or so. It would be welcome news in the grain belt if you could make such an announcement Wednesday afternoon in Omaha in response to the inevitable question that will arise.

Sincerely,


EARL L. BUTZ

September 29, 1975

SUBJECT: U.S. GRAIN DELEGATION TO
DEPART FOR RUSSIA

For your information, a five-man delegation, headed by Charles Robinson, Under Secretary of State for Economic Affairs, will be leaving for Russia this afternoon to resume negotiations for a long term minimum purchase agreement of feed grains and wheat by the Soviet Union.

As you recall, Mr. Robinson began these initial discussions in the Soviet Union on September 11. He returned home on September 16 for additional consultations and those consultations have now been completed.

Other members of the delegation include:

Richard E. Bell, Assistant Secretary for International Affairs and Commodity Programs at the U.S. Department of Agriculture;

Deane Hinton, former Ambassador to Zaire;

Mark Feldman, Deputy Legal Advisor at the Department of State;

Joseph Bell, Assistant General Counsel for International Conservation and Resource Development Programs at the Federal Energy Administration.

JGC

September 29, 1975

Q & A's ON SOVIET GRAIN SALE DELEGATION

Do you expect some announcements this week, or will this delegation have to return home for more consultations?

A: Possibly. Depends on how negotiations go. Have authority to conclude agreement.

Don't we have to wait for the October crop report before making any final decisions on the amount of sales to Russia?

A: Yes. For this year's further sales. (5-year agreement would start next year.)

Where do we now sit on the negotiations for a freight rate increase?

A: Commerce made announcement. \$16 a ton.

If Russia agrees to purchase four or five million tons a year, what happens if we have a bad crop year and can't afford to sell them this much? Will there be a clause in the agreement allowing for this?

A: My understanding, it will be part of the agreement. But that is one matter to be negotiated.

Will the Administration consult with Mr. Meany prior to signing any agreement with the Russians? How will you insure to Mr. Meany that additional grain sales to Russia will not increase American consumer prices at home?

A: I'm sure Meany will be advised. And others -

Do you still expect the moratorium on wheat sales to last until mid-October?

A: Yes. Until after crop report Oct 10.

November 11, 1975

SUBJECT: UPDATE ON RUSSIAN GRAIN SALE

Listed below is the latest update on the 1975 U.S. sale of grains to Russia:

Wheat	4.4M metric tons
Corn	8.6M metric tons
Oat/etc.	<u>70,000 tons</u>
TOTAL SALE	13.1M metric tons

JGC

October 14, 1976

SUBJECT:

RISE IN WHEAT LOAN RATES

SITUATION: Yesterday the Agriculture Department announced that it would boost wheat price supports by 50 percent. It also ordered smaller increases for corn and other grains. The supports are in the form of loans. We fully anticipate that the farmers will repay the loans. (A total of \$97 million is provided over the next two fiscal years, 1977 and 1978.)

BACKGROUND: The action was taken to stabilize crop prices. Prices have been declining because of this year's excellent harvests. (The latest estimate is 2.127 bushels, almost the same as 1975's record harvest. The President is confident that the American farmers will be able to dispose of this crop in an orderly fashion at reasonable prices. But to be able to do so they must not be forced to sell their crops in temporarily depressed markets. The loan guarantees provided yesterday ensure that the farmers do not have to sell immediately.

QUESTIONS

EFFECT ON PRICES

Q. What effect will this action have on consumer food prices?

A. We anticipate it will have no impact. It is designed not to increase prices but to allow farmers to hold their produce until they can sell in an orderly fashion.

POLITICAL MOVE?

Q. Was this a political move, prompted by Jimmy Carter's call for an increase in the price supports?

A. Of course not. This matter has been under review at the Agriculture Department and by the President for several weeks?

--more--

WHEAT LOAN RATES

SENIOR ECONOMIST

Q. Why was the decision made even after J. Dawson Ahalt, a senior economist at the Department of Agriculture, had said the Department found "no economic justification" for such assistance?

A. In any large organization, there obviously are people without full knowledge of all the information necessary for a decision of this importance. The President consulted with Acting Secretary Knebel and other policy makers before making the decision to ensure that what was done was best for the nation.

DECISION PROCESS

Q. What was the process by which this decision was made?

A. Over three weeks ago, the President met with former Secretary of Agriculture Butz on the question of loan rates for wheat. We covered the entire wheat price picture--including contemplated U.S. export sales. At the close of the meeting, the President determined not to make any further decision on this question until the market situation was clarified through issuance of the Department's monthly wheat forecast. That forecast plays a large role in estimating future wheat prices.

The report was issued at 3:00 p.m. yesterday. As is customary, no political official of the Administration had access to its contents before issuance. Immediately after issuance, the President asked his policy advisers in agricultural matters for their best judgment on the wheat price picture. Based on this information, the President decided that this year's bountiful harvest--combined with certain events abroad--has created pressures on the wheat market which could not be foreseen last February when the current rate was established and which required making available additional amounts of loan capital to carry supplies forward to insure a pattern of orderly marketing.

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Q. Did the President call a farmer in Kansas to find out what he thought about the cancellation of U. S. grain shipments to the Soviet Union?

A. The President had been trying Saturday afternoon and Sunday to return a telephone call to Senator Bob Dole. He caught up with the Senator at a Grand Opening of a farm equipment business in Otis, Kansas. He talked with Senator Dole for a few moments and then he put Clarence Ochs, the farm equipment dealer, on the line. The President and Mr. Ochs apparently talked a few moments about the action here on Saturday. The President was pleased to have his views.

Q. What did they talk about?

A. I don't have the specifics on the conversation since I was not with the President at the time he placed the call. However, I have seen a wire story and Mr. Ochs and the Senator's staff have apparently told some of the details.

(WIRE STORY ATTACHED)

(FYI: The call was placed Sunday at 4:17 p.m. and lasted for "several minutes." It was a "longer than usual phone call.")



WHEAT AND CORN SALE TO RUSSIA

Q: Two Agriculture Department officials who helped negotiate the Russian wheat sale in 1972 that came under such criticism are now involved in this latest sale. Is the President asking the Justice Department to investigate?

A: No, there is no indication of any illegal activity on the part of either one of the companies. I should point out to you that the Justice Department did conduct an investigation of the 1972 sale and determined that there was no conflict of interest on the part of any employees.



ATTACHMENT TO NESSEN GUIDANCE

Q: Do you have any information or comment on reports from the Midwest that the Soviet Union has secretly purchased two million tons of wheat and a million tons of corn? Is this consistent with our ~~existing~~ agreements with the Soviet Union and what will this do to crop prices and availabilities in the US?

are aware of reports

A: We ~~have received information~~ on some recent grain purchases by the Soviet Union. We understand your concern on the subject and we are looking into the matter at this time. Let me take your question for now and when I can get some more specific information I will get back to you.



U.S. -SOVIET OIL, GRAIN DEALS

Q: News reports over the weekend indicate that the grain deal is going quite well but that the negotiations on the oil deal have been stalled. Would you comment?

A: Under Secretary Robinson is in Paris now and will be returning to Moscow for further negotiations Tuesday or Wednesday. Under Secretary Robinson is satisfied that progress is being made and the President remains hopeful that agreements on grain and on oil can be reached in the near future.

Q: Are you seeking concessions on oil prices? Are the terms for one agreement conditioned on the other?

A: I prefer not to comment on specific questions and details of the negotiations while they are in this delicate stage.

GRAIN EMBARGO FLIRTATION

Jimmy Carter has once again shown us his strange compulsion for erratic and contradictory flip-flops on oil boycotts and grain embargoes.

Despite his emphatic statement this July to farmers at the Iowa State Fair that "there will be no embargoes" of U.S. grain if he is elected, Mr. Carter stated yesterday in Boston that:

"If Arabs ever said we are embargoing oil, there would be an instantaneous reply from me as President, well understood in advance, that we would not accept the embargo and if it comes, we will instantly prohibit the sale of anything to those countries who embargo us. No weapons, no spare parts...no nothing."

One has to wonder whether Mr. Carter knows his own mind or whether he deliberately tailors his remarks to pander to what he thinks his audience wants to hear.

TALKING POINTS:

1. Jimmy Carter trapped himself in his own deceitful rhetoric in Iowa this July when he first told the State Fair that "there will be no embargoes" if he is elected and then within the hour, he told the Des Moines Register that, of course, embargoes would be mandatory if we lack adequate reserves to meet our own domestic needs.
2. Mr. Carter was a little less unsure of himself last spring when in an interview with Business Week magazine he stated: "I would let the Arab countries know that if they declare another embargo on oil shipments to us, we would consider this an economic declaration of war and would respond quickly with a boycott against them."
3. And last November 30 appearing on Face the Nation, Jimmy Carter used almost identical rhetoric to his speech yesterday in Boston:

"If they (Arab countries) declare an embargo against us, we would consider it, not a military, but an economic declaration of war, and that we would respond instantly and without further debate in a similar fashion, that we would not ship them any food, no weapons, no spare parts for weapons, no oil drilling rig, no oil pipes."

4. If the farmers are confused, if the American people are uncertain, and if the oil producing countries are not sure of what Mr. Carter really stands for, then it is about time the real Jimmy Carter should stand up and demonstrate the candor and honesty he claims he has.
5. For my part, there is little question where he stands--on the side of political expediency.