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FACT SHEET

United States
Department of
Agriculture
Foreign
Agricultural
Service
Washington, D.C. 20250

U.S./SOVIET GRAIN TRADE

May 29, 1987

The current long-term grain agreement signed by the United States and the Soviet Union on August 25, 1983, commits the Soviet Union to buy 9 million metric tons of U.S. wheat and corn products each agreement year (October 1-September 30), of which 4 million metric tons must be wheat and 4 million metric tons must be corn. The Soviets have the option of satisfying the remaining 1 million tons by purchasing wheat, corn, soybeans or soybean meal, with every ton of soybeans or meal counting as two tons of grain.

During the current agreement year--the fourth year in the current five-year agreement--the Soviet Union has purchased 3.8 million metric tons of U.S. coarse grains and 1 million metric tons of wheat. The 1987 Soviet grain harvest is estimated at 195 million metric tons, 15 million tons below the 1986 crop. The total includes 75 million metric tons of wheat, 106 million tons of coarse grains and 14 million tons of miscellaneous grain and pulses.

Chronological Background of Soviet Grain Trade

- | | |
|--------------|---|
| 1960s | The Soviet Union ranks as a net exporter of grains, except during 1963/64 and 1965/66 following near-disasters in Soviet grain crops. |
| 1972/73 | The Soviet Union shifts into a more or less permanent status as a grain importer. A poor crop in 1972 produces the need for very large imports--reaching a total of 22.8 million metric tons--during the 1972/73 marketing year. |
| July 8, 1972 | <p>The Soviet Union receives \$750 million in credits from USDA's Commodity Credit Corporation to be used to buy U.S. grains during the three-year period of 1972-75. Under the terms of this credit agreement, no more than \$500 million in credits can be outstanding at any one time. Repayment to CCC is guaranteed by commercial banks who handle the transactions. However, in the autumn of 1974 passage of the Jackson-Vanik amendment, which tied the availability of U.S. government credits to a country's emigration policy, makes the Soviet Union ineligible for any further U.S. government credits.</p> <p>The Soviet Union uses about \$550 million of credits during the 1972/73 and 1973/74 marketing years. U.S. grain sales during this two-year period average 10.8 million metric tons annually--6.1 million metric tons of wheat and 4.7 million metric tons of coarse grains.</p> |

October 20, 1975

In order to prevent extremely large Soviet grain purchases from disrupting the U.S. grain market, the United States and the Soviet Union sign a long-term grain sales agreement to go into effect on October 1 of the following year. That agreement calls for the Soviets to purchase a minimum of 6 million metric tons of U.S. grain annually through September 30, 1981. This amount is to be divided in near equal shares between wheat and corn. An extra 2 million metric tons in any combination can be purchased by the Soviets without any further consultations with the U.S. government. If the Soviets wish to buy more than 8 million metric tons, they must request permission from the U.S. government in advance.

January 4, 1980

In response to the Soviet Union's aggression in Afghanistan, the United States, among other things, suspends all grain shipments to the USSR in excess of the 8 million tons per year committed for sale under the long-term grain sales agreement.

April 24, 1981

The United States lifts the partial embargo on grain shipments to the Soviet Union.

August 5, 1981

The first long-term grain sales agreement, due to expire on September 30, 1981, is extended one year through September 30, 1982.

At the same time, the United States announces that the Soviet Union may buy an additional 15 million metric tons of grain during 1981/82 beyond the 8 million metric tons already provided under the extended agreement. That brings the total available for purchase by the Soviets to 23 million metric tons.

September 30, 1981

As the first five years under the sales agreement close, U.S. grain sales during the 1976-81 period average 10.7 million metric tons a year--3.3 million metric tons of wheat and 7.4 million metric tons of coarse grains.

August 16, 1982

The U.S.-USSR long-term grain sales agreement is extended a second time. Under this extension, the agreement runs through September 30, 1983.

August 25, 1983

The United States and USSR sign a second 5-year agreement to go into effect October 1, 1983 calling for minimum annual trade of 9 million metric tons. The Soviets must buy at least 4 million metric tons of wheat and 4 million metric tons of corn annually,

while the remaining 1 million metric tons can be satisfied by any combination of wheat, corn, soybeans, or soybean meal. If the Soviets choose to apply soybeans or soybean/meal to the minimum, each ton counts as 2 million metric tons of grain. The Soviets also may buy up to 3 million metric tons of additional wheat or corn without consultation with the U.S. government.

January 25, 1984

During the regular semi-annual consultations with the Soviet Union called for under the long-term grain agreement, the United States offers the USSR an additional 10 million metric tons of grain during the first year of new agreement, bringing the total available during 1983/84 to 22 million metric tons.

September 11, 1984

The United States offers the Soviet Union an additional 10 million metric tons of grain during the second year of the long-term grain sales agreement, bringing availability for the second year to 22 million metric tons.

May 28, 1985

During regular consultations under the grain agreement, the United States offers the Soviets an additional 5 million metric tons of grain, bringing the availability for the second year to 27 million metric tons.

September 30, 1985

Soviet imports of U.S. grain reach a record-high of 18.6 million metric tons during the second agreement year. Of that amount, 15.7 million metric tons are corn and 2.9 million tons are wheat. Soviet purchases of wheat are 1.1 million metric tons short of the 4-million-ton minimum called for under the grain sales agreement.

October 17, 1985

During the regular consultations under the grain sales agreement, the United States offers the USSR an additional 10 million metric tons of grain for the third agreement year, bringing the supply availability for that year to 22 million metric tons.

August 1, 1986

With only two months to go in the 1985/86 agreement year, the Soviets have fallen way behind in their wheat purchases, buying only 152,600 tons of the 4-million-ton agreement minimum.

To increase the competitiveness of U.S. wheat prices and to assist the Soviets in fulfilling the terms of the long-term agreement, USDA announces that a subsidy will be awarded under the Export Enhancement Program to enable U.S. exporters to make U.S. wheat available to the Soviet Union at world market prices. The subsidy will be available only until September 30, 1986, and will apply only on wheat sales up to 4 million tons.

September 30, 1986

The offer of wheat under the Export Enhancement program to the USSR expires unused. Sales of U.S. commodities during the third year of the long-term agreement total 6.8 million metric tons of corn, 1.5 million tons of soybeans, and 152,600 tons of wheat. Soviet purchases of wheat are 3.8 million tons short of the agreement minimum.

Annual averages during the first 3 years of the second long-term sales agreement total 13.2 million tons--3.5 million tons of wheat and 9.7 million tons of coarse grains.

April 30, 1987

USDA announces a new Export Enhancement Initiative for 4 million metric tons of wheat is available to the Soviet Union.

U.S. GRAIN SHIPMENTS TO USSR
October-September Years

	Wheat	Coarse Grains Million metric tons	Total
Second (current) five-year agreement:			
1986/87 sales to date	4.0	3.8	7.8
1985/86	0.2	6.8	7.0
1984/85	2.9	15.7	18.6
1983/84	7.6	6.5	14.1
Extensions of first five-year agreement:			
1982/83	3.0	3.2	6.2
1981/82	6.1	7.8	13.9
First long-term grain agreement:			
1980/81 1/	3.8	5.7	9.5
1979/80 1/	2.2	5.7	7.9
1978/79	4.0	11.5	15.5
1977/78	3.5	11.1	14.6
1976/77	3.1	3.0	6.1
No special agreements in effect:			
1975/76	3.0	11.9	14.9
1974/75	2.2	1.0	3.2
Credit agreement in effect:			
1973/74	1.3	3.2	4.5
1972/73	10.1	4.0	14.1

1/ Restrictions on sales to the Soviet Union in effect during part of this period.

August 1987

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SOVIET GRAIN CROP			
<u>YEAR</u>	<u>ACRES HARVESTED</u> Mil.	<u>AVE. YIELD</u> Bu.	<u>CROP PRODUCTION</u> Bil/Bu.
WHEAT			
1980-86	133.8	22.8	3.05
1986	120.4	28.1	3.39
1987	113.7	25.4	2.88
COARSE GRAINS			
		<u>Tons Per Acre</u>	<u>Million Tons</u>
1980-86	145.2	0.629	91.4
1986	144.7	0.732	105.9
1987	149.0	0.749	111.5
TOTAL GRAIN			
1980-86	300.1	0.620	185.8
1986	287.8	0.728	210.1
1987	286.6	0.716	205.0

THE SOVIET UNION WILL HARVEST ANOTHER BIG GRAIN CROP this fall. This week, USDA set the likely figure at 205 mil. tons, down slightly from the 210 mil. tons the Soviets harvested last year. A crop of 205 mil. tons would be the 5th largest ever. The combined 1986 and 1987 grain crops of 415 mil. tons would be the largest back-to-back Soviet crops since the latter half of the 1970's.

THIS YEAR'S SOVIET WHEAT CROP IS MEDIOCRE. At 2.88 bil. bu, it would be the 5th smallest in the last 13 years. Freeze damage to the winter wheat crop was high. Consequently, the Soviets planted more coarse grain acreage than usual last spring. Yields and production of coarse grains will be the second highest ever.

USDA THINKS THE SOVIET WILL IMPORT MORE WHEAT over the next year than they did in 1986/87 (July-June). USDA expects smaller coarse grain imports. USDA puts the 1987/88 wheat import figure at 19 mil. tons, up from 16.5 mil. in 1986/87, and puts the coarse grain import figure at 11.0 mil. tons., down from 12.5 mil. in 1986/87. Total grain imports for 1987/88 are expected to be just slightly higher than in 1986/87.

HERE IS HOW SOVIET PRODUCTION AND IMPORTS of wheat and feed grain have been running in recent years:

<u>YEARS</u>	<u>WHEAT CROP</u> Mil/T	<u>WHEAT IMPORTS</u> Mil/T	<u>FROM THE U.S.</u> Mil/T	<u>COARSE GR. CROP</u> Mil/T	<u>COARSE IMPORTS</u> Mil/T	<u>FROM THE U.S.</u> Mil/T
1982/83	84	20.8	3.0	92	12.5	3.2
1983/84	78	20.5	4.4	102	11.6	6.0
1984/85	69	28.1	6.1	90	26.9	16.2
1985/86	78	15.7	0.2	100	13.7	6.8
1986/87	92	16.5	0.8	106	12.5	4.1
1987/88	78	19.0	—	112	11.0	—

9/15/87

IF YOU LOOK AT SOVIET GRAIN IMPORTS over a span of a dozen years, it's plain to see that the Soviet Union has turned increasingly to the European Common Market, Canada, and to "others" recently for more of its grain imports. While grain imports from those countries turned up, the U.S. share turned down markedly.

WHERE USSR GETS ITS GRAIN IMPORTS
(July/June Years)

COUNTRY	74/75	75/76	76/77	77/78	78/79	79/80	80/81	81/82	82/83	83/84	84/85	85/86
	%	%	%	%	%	%	%	%	%	%	%	%
U.S.	44.2	54.9	73.3	67.9	74.2	50.0	23.5	33.3	18.6	32.4	40.5	23.8
Canada	5.8	17.8	13.9	10.3	13.9	11.2	20.0	19.9	26.4	19.6	15.1	18.4
EC	1.9	2.0	2.0	1.1	1.3	3.0	4.4	5.2	11.1	11.8	16.0	23.1
Argentina	32.7	5.5	3.0	14.7	9.3	16.8	32.9	28.7	28.8	21.5	14.6	6.8
Australia	13.5	7.9	5.0	1.6	0.7	13.2	8.5	5.4	3.0	5.3	5.8	10.9
Other	1.9	11.9	3.0	4.4	0.7	5.9	10.6	7.6	12.0	9.4	8.0	17.0

DID THE 1980 EMBARGO ON FARM EXPORTS to the Soviet Union have something to do with the downturn in imports from the U.S., or is it just happenstance? Well, whatever, take out the 1979/80 and 1980/81 years--the embargo overlapped both of those July/June years--and what do you have? This is how it shapes up for the 5 years preceding July 1979 and for the 6 years following July 1981--including preliminary figures on imports in 1986/87:

SOURCE OF USSR GRAIN IMPORTS BEFORE AND AFTER THE 1980 EMBARGO

COUNTRY	BEFORE JULY 1979 Ave. %	AFTER JULY 1981 Ave. %
United States	63.8	29.5
Canada	13.8	20.5
Common Market	1.6	14.9
Argentina	10.1	18.6
Australia	4.9	5.7
Others	5.8	10.7

USDA REPORTS NEXT WEEK: AgStatBrd: Catfish, Mon.; Eggs, Chickens, & Turkeys, Wed.; Potatoes, Cold Storage, and Livestock Slaughter, Fri. ERS: Agricultural Resources, Mon.; World Agriculture, Wed.; Rice, Fri. FAS: Horticultural Products, Wed.; World Tobacco, Thurs.

USDA SPEAKERS NEXT WEEK: Secy Lyng, World Perspectives Seminar, Cong. Kasich Conf., Headliner Breakfast, & Japan-American Society, Wash., D.C.; A/S Mizell, Regional Rural Development Seminar, Salt Lake City, Utah, and Regional Rural Development Seminar, Fort Worth, Tex.; A/S Wilson, National Agriculture Credit Committee, Chicago, Ill., and World Perspectives Seminar; Adm. Clark, Iowa State Meeting, Des Moines, Iowa; Adm. Hunter, Region IX NRECA Meeting, Spokane, Wash.

USDA VISITORS NEXT WEEK: Minnesota KNOW America Group, Tues.; FFA-BOAC, Fri. Following week: Nebraska KNOW America Group.

USDA EXECUTIVE NOTES is published Friday afternoon by the Office of Public Liaison as a broad review of current topics for the use of the USDA Executive Staff.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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September 29, 1987

MEMORANDUM FOR:

MR. DONALD GREGG
Assistant to the Vice President
for National Security Affairs

MR. MELVYN LEVITSKY
Executive Secretary
Department of State

MR. ROBERT B. ZOELLICK
Executive Secretary
Department of Treasury

COLONEL WILLIAM M. MATZ
Executive Secretary
Department of Defense

MR. FLOYD GAIBLER
Special Assistant to the
Secretary
Department of Agriculture

MR. L. WAYNE ARNY
Associate Director for
National Security and
International Affairs
Office of Management and
Budget

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence
Agency

MR. JAMES FRIERSON
Chief of Staff
U.S. Trade Representative

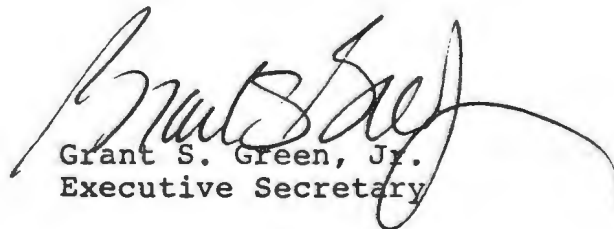
DR. BERYL SPRINKEL
Chairman, President's
Council of Economic
Advisors

SUBJECT: Policy Review Group Meeting on US/USSR Grains
Agreement (C)

1:00 - 2:00

On Wednesday, ~~September 20~~, 1987, Colin L. Powell will chair a meeting of the Policy Review Group to discuss the possible extension of the US/USSR Long-Term Grains Agreement (LTA). The current agreement will expire in September, 1988. (C)

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Grant S. Green, Jr.
Executive Secretary

Attachment
Agenda

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Declassify on: OADR

I will go. If staff is
permitted, then have Summer go
with me.

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NSC (CB)
9/29

POLICY REVIEW GROUP MEETING
Wednesday, September 30, 1987
The Situation Room
1:00 - 2:00 p.m.

US/USSR LONG-TERM GRAINS AGREEMENT

- I. Introduction Gen. Powell
(3 minutes)
- II. Status
 - Experience Under Current Agreement USDA
(10 minutes)
 - Understandings Concerning Renewal State/USDA
(7 minutes)
- III. Grain Crop Projections USDA/CIA
 - Soviet Union (10 minutes)
 - U.S.
 - World
- IV. Foreign Policy Context State
(10 minutes)
- V. Options USDA/State
(15 minutes)
- VI. Conclusion Gen. Powell
(5 minutes)