

Agriculture by Susan B. Cohen

In search of grain export markets

The price tag on Jimmy Carter's grain embargo to the Soviets is likely to be \$15 billion, and unless the administration finds other buyers, it could bankrupt the Treasury...

At least 17 million tons of American grains exports were thrown back on the market when President Carter embargoed exports to the Soviet Union on Jan. 4. So far, despite persistent rumors of large new orders from this and that corner of the world, only Mexico has opportunely registered its need for 1 million tons of corn and feed-grains above and beyond its expected order. Agriculture Department officials have acknowledged that the unexpected Mexican purchases represent only a fraction of the potential grain surplus, hiked last week with the announcement of upward revisions in the volume of the 1979 corn crop.

To date, Agriculture Department spokesmen have refused to discuss the cost of the embargo in any other terms than the oft-quoted "\$3 billion" price tag put on the embargoed contracts. But there is every indication, as *EIR* reported last week, that considering lost export revenues and customer trust, a price and income collapse on top of an existing cash-flow squeeze in the farm sector, and related ramifications of the "food weapon," could cost the U.S. Treasury up to \$15 billion.

Assistant Agriculture Secretary Dale Hathaway told reporters last week that the U.S. was "exploring other avenues" in search of foreign grain buyers, coyly declining to be

more specific. Prices, equally responsive to rumor and to fact, have recovered somewhat—wheat more so than corn, where the real "surplus" problem is—since the embargo, but were still highly volatile at a range of 4 to 10 percent below pre-embargo levels as of Jan. 18.

The Peoples Republic of China (PRC) has been the consistent subject of rumors through to the end of the week, and the focus of demands from various quarters, such as the office of Senator Robert Dole (R-Kan.), for a quick-sell USDA export push. Washington analysts, however, see little chance of China importing extra U.S. grain this year.

PRC imports from all sources for the July to June 1979-1980 marketing year are estimated at about 10 million metric tons, 7.5 million tons of wheat and 2.5 million tons of coarse grains (mainly corn). Canada and Australia are the PRC's major wheat suppliers. The U.S. does supply China with the bulk of its coarse grains, but the volume is relatively small. Recorded sales of wheat from the U.S. to the PRC from June 1979 through May 1980 stand at 1.36 million tons, with an additional 1.4 million tons booked between June 1980 and May 1981. So far in the 1979-1980 corn marketing year that began in October, U.S. contracts cover only .94 million tons.

From China's standpoint, analysts point out, any move to significantly increase American grain imports this year would amount to a major act of "foreign aid." Prices haven't yet dropped enough to make it a viable bargain basement business deal. New wheat imports from the U.S. would represent a shift from China's traditional suppliers, with possible diplomatic implications. A big hike in corn imports is impractical since the Chinese livestock program is on a go-slow track.

The Carter administration is desperate. On the impetus of renewed promises to keep the budget deficit at \$15 billion, Carter will have to scramble to channel as much grain as possible into the free market circuit at respectable enough prices to avoid bankrupting the Treasury—along with his own electoral aspirations—with farm price support programs buried under mountains of surpluses.

The USDA indicated Jan. 22 that it would have to move in to purchase another 3 million tons of grain at the local level, grain blocked by the International Longshoremen's refusal to load any ships to the Soviet Union. The entire marketing system is so backed up that farmers can't sell their grain to local elevators, and are therefore being denied the cash they need now to make purchases for the spring planting. On Jan. 21, the White House announced that it was buying up at least 15,000 of the 65,000 metric tons of frozen chicken discovered to have been destined for the Soviet Union.

As one observer noted, the Chinese are well situated to sit back, inscrutably, and wait to see what the Carter administration has to offer.