

Agriculture by Cynthia Parsons

U.S. grain: for sale cheap

The Soviet Union isn't buying; Argentina's current problems are no cause for rejoicing either.

The food-export weapon held by the United States and aimed at the Soviets for so long appears to have backfired, leaving the United States holding massive stocks of grain, with collapsing export markets and depressed prices. At the May 21 U.S.-Soviet biannual grain consultations in Paris, the Americans had hoped that the Argentine war would influence the Soviets to return to the U.S. grain market.

But nothing definite was said at the meeting, nor was there any hint that the Soviets would buy beyond this year's purchase agreement of 13.8 million tons. With a surplus of 35 million tons, the United States had offered 23 million tons. More significant was the fact that the administration did not give Agriculture Department representatives the green light to offer the Soviets a new five-year Long-Term Agricultural Agreement or an extension of the old one. The Soviets took a hard line, having purchased all their needs for the first six months of this year. Even though they do need to import well over 40 million tons, they essentially told the United States to get in line.

When the Long-Term Agreement (LTA) expires on Sept. 30 the U.S. will be without its largest export market. This agreement, originally a five-year one, and extended one year at a time, ensures that the Soviets will pick up at least 6 million tons of grain. The United States would have liked them to

take the full 23 million tons offered. The Agriculture Department is hoping that the LTA discussions will begin in June or July. So far the Soviets have shown little interest.

Reflecting depressed market prices, U.S. farm exports for the first time in 13 years failed to increase. Low prices tend to prompt the farmer to grow more, hence the bumper crops.

President Reagan is under pressure from the farm states to do more to increase exports. Net farm income fell by 30 percent in 1979-81; another expected 30 percent drop this year will result in the lowest levels since 1934.

Grain dealers are extremely pessimistic; the entire industry is heading into a slump, and the only bright spot on the horizon is the expectation that the Soviets, and possibly the Chinese, will buy U.S. surpluses. But, complained one leading grain dealer, since Poland, the administration "has clapped a de facto embargo on grain exports."

For two months the Soviets have not indicated where or what they will be purchasing. When the Soviets are not in the market, the dealers get edgy. With the South Atlantic war, the dealers are especially nervous.

Starting in 1979 with the Afghanistan invasion, followed by the Polish crisis, the Carter administration imposed an embargo of grain sales beyond the contracted minimum, leaving American farmers

with massive stockpiles. The embargo sent the Soviets in search of alternative and more reliable sources. The United States became a residual rather than primary supplier.

Soviet grain imports increased from 15.1 million tons in 1979 to 34 million in 1980-81. The United States supplied 12.5 million tons in 1979, and only 8 million in 1980-81. This year's projections are for Soviet imports of 43 million tons. Though the United States could well supply half, it will supply only 15.3 million tons.

Argentina will supply 12.7 million tons for 1982, or some 60 percent of Argentina's total production. Canada and Australia have stepped into the Soviet market, as has the European Community.

Anglophile press outlets in the United States are gloating that the Soviets will be hurt by the Malvinas war because they will not be able to get credit, or perhaps receive their remaining shipments. In reality, the Soviets have completed their shipments save about 0.7 million tons, and as this is the second year of a five-year agreement, next year's purchases are assured. The Soviets have bought over 8 million tons above their contract minimum for this year.

Thus, in a way, it is the Soviets who are wielding the advantage. At the Paris meeting, they stated that they would buy grain wherever they could get credit. Since the Reagan administration is trying to restrict credit to the Soviets, it is not likely they will be buying very much here next year. However, the Agriculture Department is trying to reverse this decision, and openly claiming that they would not discourage short-term credits.