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Senate

THURSDAY, NOVEMBER 13, 1975

THE RUSSIAN WHEAT DEAL

Mr. MANSFIELD. Mr. President, for some time I have been concerned about the wheat deal which the administration reached with the Soviet Union. I have also been concerned about the fact that certain labor organizations take it upon themselves to be the arbiters of foreign policy as to whether or not they will load or unload commodities on ships, in this specific instance, wheat.

Because of this factor, we find that shipments of wheat sold to the Soviet Union were held up for a month or more and because of that the administration entered into negotiations with the Soviet Union in Moscow by means of which shipments instead of being sent this year were relayed over a period of 5 years.

I had urged the administration on a number of occasions not to enter into this kind of a deal because anyone who knows anything about the wheat market

would be aware of the effect it would have on prices.

The farmer has been the goat on too many occasions, has received the blame for too many things which were not his fault, and a recognition has not been accorded to him based on the amount of time he puts in working to raise a commodity—wheat, corn, soybeans, or whatever it may be. The result, as in the case of the Soviet grain agreement, is that because of circumstances beyond his control, conditions develop which bring about a depreciation in the price of his product.

As I said, long before this deal was underway, and while the ships were not being loaded with American wheat which had already been sold, I had strongly indicated to the administration my great concern and pointed out what the situation as developing would mean to the American farmer and rancher.

Mr. President, what can be done to wheat, corn, and soybeans can be done to other segments of the agricultural economy as well.

I am in receipt of a letter from Mr. Richard O'Brien, of Conrad, Mont., which I will read in part because I think we ought to be aware of the effect of this agreement on the American wheat rancher; specifically, in this instance, the Montana wheat rancher.

Since the announcement of the agreement the price of no-protein winter wheat at Conrad has dropped fully 30 cents per bushel. At the present time, the estimates of Montana's 1975 wheat crop are about 150 million bushels. This 30 cent drop then means a loss of about \$45 million to the economy of the State. It could very well mean the difference between a profitable business year and a loss year for thousands of businessmen in Montana's rural communities.

That is, those who depend upon the farm economy for a livelihood.

This "Russian grain deal" seems to me to mark a beginning of Government dictation to the farmer as to where and how he can sell his products. When the markets are thus limited, farmers are unable to sell their products at the highest price.

He is referring to the wheat deal.

Most people in this country feel they

should retain the right to sell their houses, cars, or stamp collections to whomever they chose and for whatever price can be bargained for. Is it fair, then, for the Government to dictate when, where, to whom and for how much we can sell our wheat?

Mr. President, I ask unanimous consent that an article by Mr. Karl Hobson, entitled "Looking Ahead," appearing in the last issue of the Montana Farmer Stockman be printed in the Record at this point.

There being no objection, the article was ordered to be printed in the Record, as follows:

LOOKING AHEAD
(By Karl Hobson)

Four things about the grain and oil agreements with Russia are clear:

- (1) The minimum quantities of grain sales agreed on are insignificant. The same will be true of oil.
- (2) It is an agreement more for restricting than for expanding U.S. sales of grain.
- (3) Either nation can easily avoid compliance.
- (4) The purpose is to lead farmers and farm organizations to believe that their interests are being served while at the same time giving the politicians an effective means of holding farm prices down to placate consumer groups.

As to point No. 1, "minimum sales" to Russia of 6 million tons a year of corn and wheat combined are agreed upon. That's less than 3 per cent of this year's complete U.S. corn and wheat production. In fact, Russia had already bought 9.8 million tons of U.S. grains in July before the U.S. clamped on the lid.

If there is an oil agreement, the quantity involved will be 200,000 barrels per day, according to reports that appear reliable. That's only 3.3 per cent of our current oil imports, and only 1.3 per cent of our total oil use. In fact, our import needs for oil are growing each year by twice the amount the Russians will agree to supply.

Russia produces slightly more oil than we do. But they have a larger population and lack the foreign exchange earnings to finance large oil imports. Moreover, they are committed to sell oil to the Communist countries of Eastern Europe, they sell quite a bit of oil to Western Europe, they have a huge navy and fishing fleet that runs on oil, and they have a rapidly growing oil-based industry. They are finding it difficult and expensive to increase their oil output.

As to restrictions on sales of grain to Russia above the minimum level, reports are unclear and conflicting. It is clear, however, that such sales are largely up to the President of the United States. Such restrictions can easily be enforced. Thus the agreement will serve mostly to restrict grain sales to Russia.

Sales will be made through American grain exporters at market prices paid in cash. That provides two easy outs any time Russia does not wish to buy agreed quantities. They can just say that the exporters will not sell at the "market" price. Or they can just say that they do not have the cash.

So, the negotiations with Russia on grain and oil agreements are just another move to provide excuses for restricting grain exports. The purpose of restricting grain exports is to hold grain prices down to placate consumers and Mr. Meany. No matter if it forces us to sell our grain to other countries at the lower price, thereby impairing the U.S. international balance of payments. No matter if it causes farmers to produce less in future years because they will not be able to buy so many expensive inputs such as fertilizer, pesticides, machinery and irrigation facilities. The important thing is votes for politicians in the next election. And the consumers have the votes.

Make no mistake about it—the practice of restricting farm exports to hold down prices is gaining momentum. It was used once in the Johnson Administration. Hide exports were embargoed then at the request of U.S. leather industries, chiefly shoe manufacturers. Hide prices dropped sharply and any producer with cattle for sale got several dollars per head less than if hide exports had not been stopped.

During the Nixon Administration, in the spring of 1973, all exports of soybeans were suddenly stopped. Soybean prices dropped from more than \$10 per bushel to less than

In the last two marketing seasons, President Ford has stopped the sale of wheat and feed-grains to Russia. Both times he was very effective in stopping price rises. Last year, wheat prices dropped \$2 per bushel in the months following the embargo on wheat sales to Russia.

To be sure, dairymen, poultrymen and livestock feeders will benefit temporarily from the lower grain prices. However, they should be aware that their turn may come in this game of government holding down farm prices. Cattlemen will not soon forget their experience with price ceilings on meat.

What about the future? What will the practice of restricting exports of agricultural products in order to hold down prices do to American farmers and ranchers? We have only to look to Argentina to see the grim answer.

Argentina is well endowed with productive farm land. Argentine farmers and ranchers can produce much more food than the people in the nation can consume. For many years Argentina was a major factor in world trade in wheat, corn, beef, and wool.

Then in the 1940's Juan Peron came on the political scene. He decided that the key to political power lay in sponsoring rapid industrial development, then catering to the large numbers of industrial workers.

generous wage increases and low food prices. He achieved the low food prices by the method Mr. Meany recently proposed for the United States—government monopoly in the purchase and sale of the major farm products, buying them at a low price, reselling them for the domestic market at a low price and exporting at the higher world prices. Argentina also has low ceiling prices for retail markets.

With minor variations, that policy has been followed since the early days of Juan Peron. What has been the result? You read about part of it in the early September issue of this publication. An article there listed retail food prices for six different foods last March in the capitals of 15 nations. To refresh

your memory, note the listing of the highs and lows for each food compared with Washington, D.C.

Note that Buenos Aires was the lowest for five of the six foods. But it isn't as nice for the consumers in Buenos Aires as you might think. Often consumers there cannot find all the foods they want at legitimate stores. Then they must do without or pay much higher prices on the black market.

The low prices have forced Argentine farmers and ranchers to produce only what they can turn out at very low cost. They cannot afford to buy expensive inputs such as fertilizers and pesticides.

Argentina has large areas of fertile land where production could be greatly increased

with irrigation. Water is available and can be brought to the land at a cost that we would consider low. But with the low farm product prices the land cannot be irrigated. It must remain idle or at a low level of production.

The entire nation of Argentina has been injured by the low farm price policy. It has greatly restricted the quantity of farm products available for export. This reduced export earnings so much that the Argentine government had to borrow heavily in order to buy raw materials needed by industry. It is now very difficult for them to borrow any more.

Mr. MANSFIELD. Again, Mr. President, I want to say that in my opinion I believe the administration made a most serious mistake to the detriment of the farmer, to the detriment of our agricultural economy, and I believe in the long run to the detriment of the people as a whole.

	High	Washington, D.C.	Low		
Boneless sirloin steak.....	Tokyo.....	\$10.00	\$1.69	Buenos Aires.....	70
Pork chops.....	Tokyo.....	2.88	1.79	Buenos Aires.....	29
Sliced bacon.....	Brasilia.....	4.15	1.56	Buenos Aires.....	29
One dozen eggs.....	Stockholm.....	1.33	.74	Buenos Aires.....	48
Butter.....	Mexico City.....	2.08	.89	London.....	68
Tomatoes.....	Copenhagen.....	1.43	.69	Buenos Aires.....	19