

# Ronald Reagan Presidential Library Digital Library Collections

---

This is a PDF of a folder from our textual collections.

---

**Collection:** Danzansky, Stephen I.: Files  
**Folder Title:** Soviet Union (Grain) (1)  
**Box:** RAC Box 12

---

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: [reagan.library@nara.gov](mailto:reagan.library@nara.gov)

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

# WITHDRAWAL SHEET

## Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	from S. Danzansky to Colin Powell re: renewal of US-Soviet long term grains agreement (1p)	4/25/88	<del>P-1, P-5</del> B1
<del>2. memo</del> 80	<del>from Steve Farrar to Gene McAllister re: comments on draft memorandum on US/Soviet LTA (1p)</del>	<del>2/9/88</del>	<del>P-5</del> open
3. memo	from Economic Policy Council to the President re: new long term grains agreement with the Soviet Union (2pp)	2/8/88	<del>P-1, P-5</del> B1
<del>4. memo</del> 81	<del>from S. Danzansky to C. Powell re: additional wheat sales to the USSR (2pp, partial)</del>	<del>1/21/88</del>	<del>P-5</del> open
<del>5. memo</del> 82	<del>copy of item # 4 (2pp, partial)</del>	<del>1/21/88</del>	<del>P-5</del>
6. report	re: US/USSR grains agreement (15pp)	n.d.	<del>P-1, P-5</del> B1
7. memo	from Peter Keller to E.B. Cundiff re: compatibility of a renewed LTA with a possible new US/USSR maritime agreement (1p)	1/20/80	<del>P-1, P-5</del> B1
<del>8. memo</del> 83	<del>from Clayton Yeutter to Michael Smith and Alan Holmer re: long term grain agreement (1p)</del>	<del>12/8/87</del>	<del>P-5</del> open
9. staffing memorandum	(1p)	11/2/87	<del>P-1</del> B1
10. memo	from the Economic Policy Council to the President re: wheat sales to the Soviet Union (2pp)	10/29/87	<del>P-1, P-5</del> B1 6/3 10/26/00
COLLECTION: DANZANSKY, STEPHEN I.: Files			db
FILE FOLDER: Soviet Union (Grain) [1 of 8] 11 RAC Box 12 Box 91819			11/10/94

### RESTRICTION CODES

**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

**Freedom of Information Act - [5 U.S.C. 552(b)]**

- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Brain (1 of 8)

Panzansky

## RONALD W. REAGAN LIBRARY

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 1 LISTED ON THE  
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

March 24, 1988

INFORMATION

MEMORANDUM FOR COLIN L. POWELL

FROM: STEPHEN I. DANZANSKY

SUBJECT: Status of Negotiations on Renewal of US-USSR  
Grain Agreement

The first round of negotiations on a new long-term grain agreement (LTA) with the Soviets was held last week in Vienna. The Soviets were low-key and business-like. Key issues to be resolved are:

- Quantity. The current LTA requires Soviet purchases of 9 million metric tons (mmt) of wheat, corn and soybeans, including at least 3 mmt each of wheat and corn. U.S. negotiators have proposed a 17 mmt commitment, including 6 mmt each of wheat and corn and 2 mmt of soybeans. The Soviets have proposed 6 mmt, with no commodity split.
- Price. The current agreement specifies "market price prevailing" at the time of sale. Because U.S. domestic prices have been above world prices for wheat and corn, our negotiators are pressing for agreement the the U.S. price controls. However, the Soviets want to buy at the best price offered to other customers. A likely outcome is retention of language from the current agreement.

The Soviets also want liberalized access for their ships to U.S. ports and a commitment to buy Soviet exports of other goods.

The next meeting will be the week of April 18 in London.

Prepared by: *S.P.F.*  
Stephen P. Farrar



NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

February 9, 1988

MEMORANDUM FOR GENE MCALLISTER

FROM:

STEVE FARRAR <sup>SFF</sup>

SUBJECT:

Comments on Draft Memorandum on US/Soviet LTA

The draft memorandum circulated on February 8 does a good job of presenting the issue for the President's decision. NSC recommends one change: deletion of the last bullet in the section entitled "Reasons for a New Agreement." We believe that the negotiation should be conducted as far as possible on commercial grounds. The reference later in the memo to the need to view the agreement in the context of the larger bilateral relationship is enough to register foreign policy and national security concerns.

cc: Steve Danzansky  
Fritz Ermarth

THE WHITE HOUSE  
WASHINGTON

February 8, 1988

MEMORANDUM FOR ALAN F. HOLMER  
THOMAS O. KAY  
ALAN LARSON  
STEPHEN I. DANZANSKY ✓  
ARNOLD I. BURNS

FROM: EUGENE J. McALLISTER *EM*

SUBJECT: Draft Decision Memorandum

A draft decision memorandum for the President is attached.  
Please provide me with any comments or suggestions by noon,  
Tuesday, February 9.

Thanks very much.

CONFIDENTIAL ATTACHMENT

UNCLASSIFIED UPON REVIEW  
OF CLASSIFIED ENCLOSURE(S)

Grain (1 of 8)  
Panzansley

## RONALD W. REAGAN LIBRARY

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 3 LISTED ON THE  
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20508

SID

ACTION

January 21, 1988

No. 1000  
Sor

MEMORANDUM FOR COLIN L. POWELL

FROM: STEPHEN I. DANZANSKY

SUBJECT: Additional Wheat Sales to the USSR

USDA has requested interagency approval by Friday, January 22, of its proposal to negotiate additional wheat sales to the Soviet Union.

The Soviet Union has already bought 4.8 million tons of U.S. wheat this year, enough to satisfy the minimum tonnage requirement under the bilateral Long-Term Grains Agreement (LTA). The Soviets have now expressed an interest in buying an additional 2 million tons, provided the wheat can be obtained at world prices. This would mean using USDA's Export Enhancement Program (EEP) to subsidize the price from the U.S. domestic price of about \$125/ton to the world price of \$95-99/ton.

The EEP authorizes USDA to provide U.S. exporters with extra commodities (in-kind subsidies) from CCC stocks to induce them to offer lower sales prices. The USG has used the authority to win markets from countries that habitually provide export subsidies, notably the European Community.

Because the Soviets had no incentive to buy U.S. wheat at the higher domestic prices required by our farm legislation, in July 1986, the President approved using the EEP to help meet LTA purchase commitments. Since then, the Soviets have fulfilled their commitments.

Secretary Lyng strongly supports offering the Soviets up to 2 mmt at \$99/ton. USDA analysts conclude that the sale would occur primarily at the expense of the European Community, since other suppliers (Canada, Australia, Argentina) have little wheat to offer. USTR, Treasury, and Commerce support the proposal. State has not yet taken a position.

We believe that USDA should be given the authority to negotiate. The sale would not provide the Soviets with cheaper wheat than they could obtain elsewhere on the world market, thus rebutting predictable accusations that we are feeding the sick bear. At the same time, we would be adding to the cost of the European Community's farm program, increasing pressure to negotiate real reforms in the Uruguay Round.



<sup>SF/5</sup>  
Fritz Ermarch concurs.

RECOMMENDATION

That NSC approve USDA's request to negotiate with the USSR on the sale of an additional 2 mmt of wheat under the Export Enhancement Program.

Approve

Disapprove

Prepared by:  
Stephen P. Farrar



*BUT ONLY AFTER  
I see STATE'S  
view.*

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

ACTION

January 21, 1988

MEMORANDUM FOR COLIN L. POWELL

FROM: STEPHEN I. DANZANSKY

SUBJECT: Additional Wheat Sales to the USSR

USDA has requested interagency approval by Friday, January 22, of its proposal to negotiate additional wheat sales to the Soviet Union.

The Soviet Union has already bought 4.8 million tons of U.S. wheat this year, enough to satisfy the minimum tonnage requirement under the bilateral Long-Term Grains Agreement (LTA). The Soviets have now expressed an interest in buying an additional 2 million tons, provided the wheat can be obtained at world prices. This would mean using USDA's Export Enhancement Program (EEP) to subsidize the price from the U.S. domestic price of about \$125/ton to the world price of \$95-99/ton.

The EEP authorizes USDA to provide U.S. exporters with extra commodities (in-kind subsidies) from CCC stocks to induce them to offer lower sales prices. The USG has used the authority to win markets from countries that habitually provide export subsidies, notably the European Community.

Because the Soviets had no incentive to buy U.S. wheat at the higher domestic prices required by our farm legislation, in July 1986, the President approved using the EEP to help meet LTA purchase commitments. Since then, the Soviets have fulfilled their commitments.

Secretary Lyng strongly supports offering the Soviets up to 2 mmt at \$99/ton. USDA analysts conclude that the sale would occur primarily at the expense of the European Community, since other suppliers (Canada, Australia, Argentina) have little wheat to offer. USTR, Treasury, and Commerce support the proposal. State has not yet taken a position.

We believe that USDA should be given the authority to negotiate. The sale would not provide the Soviets with cheaper wheat than they could obtain elsewhere on the world market, thus rebutting predictable accusations that we are feeding the sick bear. At the same time, we would be adding to the cost of the European Community's farm program, increasing pressure to negotiate real reforms in the Uruguay Round.

<sup>SF/</sup>Fritz Ermarch concurs.

RECOMMENDATION

That NSC approve USDA's request to negotiate with the USSR on the sale of an additional 2 mmt of wheat under the Export Enhancement Program.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Prepared by:  
Stephen P. Farrar

DEPUTY UNITED STATES TRADE REPRESENTATIVE  
EXECUTIVE OFFICE OF THE PRESIDENT

WASHINGTON, D.C. 20506  
202-395-5114

SF

UNCLASSIFIED WITH  
CONFIDENTIAL ATTACHMENT

January 22, 1988

MEMORANDUM

TO: MEMBERS OF THE TRADE POLICY REVIEW GROUP  
FROM: ALAN HOLMER, Chairman  
SUBJECT: TPRG Meeting, January 26

A meeting of the TPRG has been scheduled for 9:30 a.m., Tuesday, January 26 in Room 203 of the Winder (USTR) Building. At this point, the only item on the agenda is the U.S.-USSR Grains Agreement (paper attached).

UNCLASSIFIED UPON REMOVAL  
OF CLASSIFIED ENCLOSURE(S)

UNCLASSIFIED WITH  
CONFIDENTIAL ATTACHMENT



Grain (1048)  
Puzansky

## RONALD W. REAGAN LIBRARY

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 6 LISTED ON THE  
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

ATTACHMENT 1

## APPENDIX

### Agreement Between The Government of the United States of America and The Government of the Union of Soviet Socialist Republics on the Supply of Grain

The Government of the United States of America ("USA") and the Government of the Union of Soviet Socialist Republics ("USSR"),

Recalling the "Basic Principles of Relations between the United States of America and the Union of Soviet Socialist Republics" of May 29, 1972 and other relevant agreements between them;

Desiring to strengthen long-term cooperation between the two countries on the basis of mutual benefit and equality;

Mindful of the importance which the production of food, particularly grain, has for the peoples of both countries;

Recognizing the need to stabilize trade in grain between the two countries; and

Affirming their conviction that cooperation in the field of trade will contribute to overall improvement of relations between the two countries;

Have agreed as follows:

#### Article I

The Government of the USA and the Government of the USSR hereby enter into an agreement for the purchase and sale of wheat and corn for supply to the USSR. To this end, during the period that this Agreement is in force, except as otherwise agreed by the Parties, the Soviet foreign trade organizations shall purchase from private commercial sources, for shipment in each twelve-month period beginning October 1, 1983, nine million metric tons of wheat and corn grown in the USA; in doing so, the Soviet foreign trade organizations, if interested, may purchase, on account of the said quantity, soybeans and/or soybean meal produced in the USA, in the proportion of one ton of soybeans and/or soybean meal for two tons of grain. In any case, the minimum annual quantities of wheat and corn shall be no less than four million metric tons each.

The Soviet foreign trade organizations may increase the nine million metric ton quantity mentioned above without consultations by as much as three million metric tons of wheat and/or corn for shipment in each twelve-month period beginning October 1, 1983.

The Government of the USA shall employ its good offices to facilitate and encourage such sales by private commercial sources. Purchases/sales of commodities under this Agreement will be made at the market price prevailing for these products at the time of purchase/sale and in accordance with normal commercial terms.

#### Article II

During the term of this Agreement, except as otherwise agreed by the Parties, the Government of the USA shall not exercise any discretionary authority available to it under United States law to control exports of commodities purchased for supply to the USSR in accordance with Article I.

#### Article III

In carrying out their obligations under this Agreement, the Soviet foreign trade organizations shall endeavor to space their purchases in the USA and shipments to the USSR as evenly as possible over each twelve-month period.

#### Article IV

The Government of the USSR shall assure that, except as the Parties may otherwise agree, all commodities grown in the USA and purchased by Soviet foreign trade organizations under this Agreement shall be supplied for consumption in the USSR.

#### Article V

Whenever the Government of the USSR wishes the Soviet foreign trade organizations to be able to purchase more wheat or corn grown in the USA than the amounts specified in Article I, it shall notify the Government of the USA.

Whenever the Government of the USA wishes private commercial sources to be able to sell to the USSR more wheat or corn grown in the USA than the amounts specified in Article I, it shall notify the Government of the USSR.

In both instances, the Parties will consult as soon as possible in order to reach agreement on possible quantities of grain to be supplied to the USSR prior to purchase/sale or conclusion of contracts for the purchase/sale of grain in amounts above those specified in Article I.

#### Article VI

The Government of the USA is prepared to use its good offices, as appropriate and within the laws in force in the USA, to be of assistance on questions of the appropriate quality of the grain to be supplied from the USA to the USSR.

#### Article VII

It is understood that the shipment of commodities from the USA to the USSR under this Agreement shall be in accord with the provisions of the American-Soviet Agreement on Maritime Matters which is in force during the period of shipments hereunder.

#### Article VIII

The Parties shall hold consultations concerning the implementation of this Agreement and related matters at intervals of six months, and at any other time at the request of either Party.

#### Article IX

This Agreement shall enter into force on execution and shall remain in force until September 30, 1988, unless extended by the Parties for a mutually agreed period.

DONE at Moscow this twenty-fifth day of August, 1983, in duplicate, each in the English and Russian languages, both texts being equally authentic.

ATTACHMENT 2



FOR OFFICIAL USE ONLY

MARKET SENSITIVE INFORMATION

PENALTIES EXIST FOR DISCLOSURE OUTSIDE USG AGENCIES PRIOR TO  
PUBLIC ANNOUNCEMENT

## Background Paper on USSR and World Grain Trade

### USSR Grain Trade

The USSR is the world's largest import market for grains. During four of the last five years, Soviet grain imports have averaged approximately 30 million tons and accounted for roughly 16 percent of total world imports. In 1984/85, a Soviet crop shortfall resulted in imports of a record 55 million tons, 27 percent of the world total.

In recent years, the USSR has not only been the world's largest grain importer but also the single largest importer of both wheat and coarse grains. USSR wheat imports over the past 5 years have ranged from a low of 15 million tons to a high of 26 million. The size of the Soviet wheat harvest is the single most important factor determining the level of USSR wheat imports. In addition, however, annual minimum import needs for high quality milling wheat, required purchases under various agreements, and expanded feed wheat imports have influenced recent levels of USSR wheat imports.

Soviet coarse grain imports over the past 5 years have ranged from a high of 27.3 million tons in 1984/85 to a low of 15 million tons in 1986/87. Corn normally accounts for the bulk of the USSR coarse grain imports, followed by barley and grain sorghum. The USSR has grain agreements which provide for annual coarse grain imports of around 10 million tons, with purchases in excess of that often reflecting a poor harvest.

Soviet imports account for an average 13 percent of total U.S. grain exports. In spite of large fluctuations in the volume of Soviet imports from the U.S. (ranging from 22 million tons in 1984/85 to 4.9 in 1986/87), the USSR remains an important market for U.S. grains.

### The Need for an LTA

The first U.S.-USSR long term grain sales agreement was established in 1975 in response to U.S. concerns over the impact of large Soviet grain purchases on the U.S. and world wheat markets. During the early 1970s, large, unanticipated Soviet purchases of U.S. wheat had sharply driven up world wheat prices and left the United States in some danger of being unable to meet all of its foreign and domestic wheat commitments. The U.S.-USSR LTA was envisioned as a means of preventing subsequent destabilization of the U.S. and world wheat markets by ensuring some predictability of Soviet trade.

In recent years, subsequent U.S.-USSR LTAs have acquired additional importance in protecting the U.S. share of the Soviet grain market and helping U.S. producers to recover some of the large loss of trade suffered as a result of the 1980 embargo. In spite of the fact that the USSR fell short of its commitments during two of the five years under the current agreement because our prices were grossly out of line with those of other origins, the existence of the agreement creates a strong obligation for the USSR to maintain its agreed level of imports from the United States. Generally, both before and since the embargo, the consensus belief of U.S. exporters and grain producers is that U.S. exports to the USSR, and possibly even total USSR imports from all origins, are larger with LTAs than without them. In addition, the LTA provides a framework which facilitates regular, high-level contact between U.S.D.A. and the Soviet import agency.



## World Grain Situation

The global grain situation continues to be characterized by a huge problem of oversupply and excess capacity. Although at the moment stock levels have been somewhat reduced, the cumulative effect of decades of incentives to production can still be seen in a reserve of underutilized capacity. Thus, our competitors retain the ability to quickly restart production if profitable markets, such as the USSR, become available.

Annual world grain trade averages approximately 185 million tons, of which U.S. exports comprise roughly half. The USSR accounts for slightly under 20 percent of world grain imports.

## USSR Grain Situation

Soviet production of wheat and coarse grains in 1987/88 is forecast at 195 million tons, only slightly lower than last year's 198 million tons. In spite of two consecutive good harvests, however, the USSR has been buying grain heavily both this year and last year. While Soviet purchases are not very predictable, recent large Soviet imports continuing during years of good harvests give some indication that the USSR may be expected to be a heavy importer for several more years.

## Other USSR Grain Agreements

CANADA - Agreement to import a total of 25 million tons of wheat and feed grains over a 5-year period; no annual minimum. Renewed for 1986-91.

(Annual shipments of wheat and barley have exceeded the minimum provided for in each of the agreement years. For Canada as well as some of the other suppliers, agreements seem to provide a mechanism for increasing trade, with sales traditionally exceeding the agreement minimum. The LTA amount is assumed to be about 5 million tons of grain annually. This would be about a fourth of the total USSR imports which hit a low of 19.6 million tons in 1978/79.)

ARGENTINA - Agreement to import 4 million tons per year of corn and sorghum, and 500,000 tons of soybeans per year. 1980-85 agreement extended.

(The past 2 years have seen Argentina coarse grain shipments to the USSR fall well short of agreement levels. Reduced USSR import needs and smaller Argentine coarse grain crops have contributed to these shortfalls in trade.)

CHINA - May 1985-April 1989; 6 million tons of corn---about 1.5 MMT annually.

TURKEY - Covering 1988-1990; 100,000 tons of grain in 1986, rising to 1.5 million tons by 1990.

FRANCE - Grain trading arrangement providing for annual shipments of 3 million tons of wheat.

(French wheat sales to the USSR have reached or exceeded 3 million tons in each of the trade years. Other EC members have also traditionally sold wheat to the USSR. At their peak, EC wheat sales have accounted for a third of the total USSR wheat imports.)

HUNGARY - 1986-90; exports of 500,000 tons annually, of either wheat or corn.

THAILAND - Announced a 10 year trade agreement with the USSR in December 1980. In the past, Thailand has shipped corn, tapioca and rice to the USSR under this agreement.

The total import level called for by these agreements is approximately 14 million tons. With the exception of 1978/79, annual grain import levels have been close to or well above 30 million tons during the last ten years. Thus it is clear that there is room in the Soviet import market to accommodate not only the present but possibly even an enlarged U.S. grains agreement.

#### Other Feed Grains

Soviet imports of barley, sorghum, oats and rye are shown in the attached table. Imports of these commodities from the U.S. are normally zero. In the case of barley and, in some years sorghum, the quantities imported are a significant share of total USSR grain imports.

It might be useful to producers if barley and sorghum could count toward the feed grain minimum; this might be a way to encourage the USSR to accept some increase in the current 4 million ton minimum which is now limited to corn. This could be attractive if we later want to compete with the EC, for which the USSR is the second largest barley market.

ATTACHMENTS: A,B,C,D



STATUS OF U.S. SALES TO THE USSR UNDER CURRENT LTA  
 REPORTED AS OF 1/14/88  
 (1,000 Metric Tons)

AGREEMENT YEAR (Oct/Sep)	ACTUAL SHIPMENTS				TOTAL SALES	SHIPMENTS TO DATE
	83/84	84/85	85/86	86/87	87/88	
Wheat	7,593	2,887	153	4,081	4,812	944
Corn	6,476	15,750	6,808	4,102	1,764	1,666
TOTAL - Grains	14,069	18,637	6,961	8,183	6,576	2,610
Soybeans	416	-	1,519	68	800	212
Soybean Cake & Meal	-	-	-	-	1,303	291
AGREEMENT MINIMUM	9,000	9,000	9,000	9,000	9,000	

USSR WHEAT IMPORTS FROM NON-U.S. ORIGINS  
(MMT)

YEAR (Oct/Sep)	83/84	84/85	85/86	86/87	87/88 (Est. Sales to Date)
CANADA	7.7	4.8	4.6	4.9	4.9
AUSTRALIA	2.0	1.8	3.2	1.3	-
ARGENTINA	3.4	4.1	.7	.6	-
EC	3.9	4.9	5.3	6.2	2.1
SWEDEN	-	.4	.4	.2	.1
E. EUROPE	1.3	1.1	.6	.8	.6
OTHERS	.1	.4	.2	.2	.5
<b>TOTAL</b>	<b>18.4</b>	<b>17.8</b>	<b>15.2</b>	<b>14.2</b>	<b>8.2</b>

USSR IMPORTS OF WHEAT AND COARSE GRAINS BY SOURCE 1974/75 - 1986/87  
 October/September Years  
 (Million Metric Tons)

	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	Pre-Lim. 1986/87
<b>Wheat</b>													
U.S. 1/	2.2	3.0	3.0	3.5	3.8	2.3	3.8	6.1	3.0	7.6	2.9	.2	4.1
Canada	.9	2.8	1.2	2.5	1.2	3.9	3.5	5.5	7.5	7.7	4.8	4.6	4.9
Australia	.9	1.2	.4	.2	.6	2.8	2.1	2.1	1.0	2.0	1.8	3.2	1.3
Argentina	.7	1.1	.1	1.1	.1	2.0	3.3	2.7	4.4	3.4	4.1	.7	.6
EC	--	--	--	--	--	1.0	.8	1.6	4.0	3.9	4.9	5.3	6.2
Others	--	--	.4	1.0	.1	1.2	2.0	1.4	2.0	1.4	2.2	1.4	1.4
<b>Total*</b>	<b>4.6</b>	<b>8.2</b>	<b>5.1</b>	<b>8.4</b>	<b>5.8</b>	<b>13.2</b>	<b>15.5</b>	<b>19.4</b>	<b>21.9</b>	<b>26.0</b>	<b>20.7</b>	<b>15.4</b>	<b>18.5</b>
<b>C. Grains</b>													
U.S. 1/	1.0	11.9	3.1	11.1	11.5	6.0	5.7	7.8	3.2	6.5	15.8	6.8	4.1
Canada	.1	1.4	--	.2	.5	.9	3.2	3.9	1.6	.3	.7	1.3	1.5
Australia	.1	.8	--	--	--	1.4	.4	--	--	.1	1.1	--	--
Argentina	1.0	.3	.1	2.1	1.6	4.1	11.9	6.4	4.4	3.7	3.7	.5	1.4
EC	--	.8	--	.2	.2	.2	.7	.7	.5	--	2.7	1.5	1.5
Others	.9	2.2	--	.5	--	1.2	1.6	2.1	2.3	1.3	3.3	3.5	3.0
<b>Total*</b>	<b>3.1</b>	<b>17.4</b>	<b>3.3</b>	<b>14.1</b>	<b>13.8</b>	<b>13.8</b>	<b>23.5</b>	<b>20.9</b>	<b>12.0</b>	<b>11.9</b>	<b>27.3</b>	<b>13.6</b>	<b>11.5</b>
<b>Total</b>													
U.S. 1/	3.2	14.9	6.1	14.6	15.3	8.3	9.5	13.9	6.2	14.1	18.7	7.0	8.2
Canada	1.1	4.2	1.2	2.7	1.7	4.8	6.7	9.4	9.1	8.0	5.5	5.9	6.4
Australia	1.0	2.1	.4	.2	.6	4.2	2.4	2.1	1.0	2.1	2.9	3.2	1.3
Argentina	1.7	1.4	.2	3.2	1.6	6.2	15.2	9.1	8.8	7.1	7.8	1.2	2.0
EC	--	.8	--	.2	.2	1.2	1.5	2.3	4.5	3.9	7.6	6.8	7.7
Others	.7	2.2	.5	1.6	.2	2.3	3.7	3.5	4.3	2.7	5.5	4.9	4.4
<b>Total*</b>	<b>7.7</b>	<b>25.6</b>	<b>8.4</b>	<b>22.5</b>	<b>19.6</b>	<b>27.0</b>	<b>39.0</b>	<b>40.3</b>	<b>33.9</b>	<b>37.9</b>	<b>48.0</b>	<b>29.0</b>	<b>30.0</b>

-- Denotes less than 50,000 tons.

\* Totals may not add due to rounding. Excludes rice and pulses.

1/ U.S. exports based upon Export Sales data, which normally include transshipments whereas Census data may not.

SOURCE: Based on reports of countries exporting to the USSR.

FAS, Grain and Feed Division  
 December 11, 1987

1414Gpg1

---

USSR IMPORTS OF NON-CORN COARSE GRAINS  
(Oct/Sep)  
(1,000 Metric Tons)

---

<u>(Oct/Sep)</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>	<u>Forecast</u> <u>1987/88</u>
Barley <u>1/</u>	500	4,700	2,900	3,000	3,000
Sorghum <u>1/</u>	1,863	1,500	145	60	100
Oats <u>1/</u>	0	400	200	100	100
Rye <u>1/</u>	0	400	100	100	0
TOTAL COARSE GRAINS (Includes Corn)	11,863	27,300	13,645	11,460	10,000

---

1/ Note: Imports from the U.S. of these grains were zero during this period.

ATTACHMENT 3



Exporter	Importer	Signed/Announced	Supply Period	Quantity
ARGENTINA	BULGARIA	21st October 1985	January-December 1986	100,000 tons wheat, 500,000 tons maize, 200,250,000 tons soyabeans pellets
	CZECHOSLOVAKIA	6th November 1985	January 1986 to December 1988	150,200,000 tons soyabeans annually or maize if soyabean production is not enough to satisfy domestic consumption
	MEXICO	27th March 1985	January 1985 to November 1988	500,000 tons maize, 240,000 tons sorghum and 135,000 tons soyabeans in 1986. Quantities for subsequent years to be agreed
	PERU	27th February 1985	January 1986 to December 1989	700,000 tons wheat annually
AUSTRALIA	USSR	January 1986	January 1986 to December 1990	4 m. tons of maize and sorghum, and 0.5 m. tons of soyabeans annually
	ABU DHABI	24th April 1985	January 1985 to December 1987	Minimum 70,000 tons wheat annually
	EGYPT	15th October 1984	January 1985 to December 1989	Minimum 10 m. tons, with minimum 1.5 m. tons wheat in any one year, 2 m. tons in 1986
	IRAQ	30th November 1985	January 1986 to December 1990	6 m. tons wheat over 5 years. Minimum 0.8 m. tons in any one year
	JAPAN (supply agreement)	4th February 1986	January-December 1986	300,000 tons wheat
	QATAR (remains unsigned)		January 1980 to December 1983	50,000 tons wheat annually
	YEMEN ARAB REPUBLIC	14th December 1985	January-December 1986	400,000 tons wheat
AUSTRIA	GERMAN DEM. REP.	3rd May 1984	1984-1986	350,000 tons grain annually
BRAZIL	USSR	March 1982	January 1983 to December 1986	0.6 m. tons maize annually
CANADA	BANGLADESH	1st July 1985	1985-1987	Memorandum of Understanding providing up to 0.7 m. tons wheat over the three years. This is a food aid transaction.
	BRAZIL	28th January 1986	January 1986 to December 1988	4.5 m. tons of wheat, 0.7/1.5 m. tons annually.
	EGYPT	23rd April 1985	1985 to 1989	Minimum of 2.5 m. tons wheat over five year period.
		15th January 1986	1st January 1986 to 31st December 1986	Ontario Wheat Producers agreed to supply 0.75 m. tons wheat over three years.

Exporter	Importer	Signed Announced	Supply Period	Quantity
CANADA (continued)	GERMANY DEM REP	9th September 1983	1st January 1984 to 31st December 1986	Annual shipment of 1 million tons mainly feed barley but includes some durum wheat
	IRAQ	13th March 1986	1st January 1986 to 31st December 1990	Minimum 0.5-0.8 million tons wheat or barley in 1986 and 0.7-0.8 million tons in each of the remaining 4 years
	JAPAN (supply agreement)	November 1985	January/December 1986	1.2 million tons wheat and 850,000 tons barley
	USSR	26th May 1985	1st August 1985 to 31st July 1986	25 million tons wheat and feed grains Minimum 4.0 million tons for shipment in 1985-86 and 6 million tons in 1986-88
		5th December 1985	August 1986 to July 1991	Minimum of 25 million tons wheat and feed grains over five years
CHINA	JAPAN (Private traders)	8th March 1985	May 1985 to April 1986	2.2 million tons maize/corn
			May 1986 to April 1987	2.4 million tons maize/corn
	USSR	9th January 1986	May 1985 to April 1989	6 million tons maize/corn, about 1.5 m. tons annually
TURKEY	USSR	12th March 1985	1986-1990	100,000 tons of grain in 1986, rising to 1.5 million tons by 1990
UNITED STATES	USSR	28th July 1983	1st October 1983 to 30th September 1989	Annually 8 million tons of wheat and maize corn, in about equal quantities, plus 1 million tons of wheat/maize with option of 0.5 million tons soyabeans or soyameal equivalent to 1 million tons grain. May purchase combined total of 3 m. tons additional wheat/maize without prior consultation
URUGUAY	MEXICO	25th January 1985	Annually renewable for three years	100,000 tons each - corn, soyabean, sunflower seed and soyabeans
	TAIWAN	31st January 1985	1985-1990	<b>Wheat - 420,000 tons:</b> 70,000 annually <b>Corn - 1,045,000 tons:</b> 75,000 tons for 1986, 160,000 tons for 1987, 230,000 tons for 1988, 280,000 tons for 1989, 300,000 tons for 1990 <b>Sorghum - 750,000 tons:</b> 110,000 tons for each year 1985, 1986 and 1987, 120,000 tons for 1988, 150,000 tons for 1989 and 1990 <b>Soyabeans - 870,000 tons:</b> 70,000 tons for 1986, 140,000 tons for 1987 and 1988, 240,000 tons for 1989, 280,000 tons for 1990.

**ATTACHMENT 4**

STATUS OF U.S. SALES TO THE USSR UNDER CURRENT LTA  
 REPORTED AS OF 1/14/88  
 (1,000 Metric Tons)

AGREEMENT YEAR (Oct/Sep)	ACTUAL SHIPMENTS				TOTAL SALES	SHIPMENTS TO DATE
	83/84	84/85	85/86	86/87		87/88
Wheat	7,593	2,887	153	4,081	4,812	944
Corn	6,476	15,750	6,808	4,102	1,764	1,666
TOTAL - Grains	14,069	18,637	6,961	8,183	6,576	2,610
Soybeans	416	-	1,519	68	800	212
Soybean Cake & Meal	-	-	-	-	1,303	291
AGREEMENT MINIMUM	9,000	9,000	9,000	9,000	9,000	

Source: USDA/FAS - U.S. Export Sales



ATTACHMENT 5

**RONALD W. REAGAN LIBRARY**

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 7 LISTED ON THE  
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

ACTION

January 11, 1988

MEMORANDUM FOR STEPHEN I. DANZANSKY

FROM: STEPHEN P. FARRAR

SUBJECT: Meeting on U.S./USSR Long-Term Agreement (LTA) on  
Grains, 3:00 P.M., Monday, January 11, 1988, ~~The~~  
~~Situation Room 208~~

Purposes of the Meeting

- To assure a common USG understanding of the status of discussions on LTA renewal, in the wake of Tom Kay's London meeting last week; and
- To start the process of preparing a USG position on LTA renewal.

Background

- The first LTA ran from October 1, 1976 to September 30, 1981. It called for Soviet purchase of 6 million metric tons (mmt) of grain annually, split evenly between wheat and corn. An extra 2 mmt in any combination could be purchased without consultation. Consultations were required on anything over 8 mmt. Over the LTA period, sales averaged 10.7 mmt -- 3.3 mmt of wheat and 7.4 mmt of corn.
- The first LTA was extended twice for one-year periods.
- The second (current) LTA began on October 1, 1983 and expires September 30, 1988. It calls for a minimum annual trade of 9 mmt -- 4 mmt each of wheat and corn, with the remaining 1 mmt any combination of wheat, corn, soybeans, or soybean meal. Each ton of soybeans or soybean meal would count as two tons of grain. Up to 3 mmt of wheat or corn can be purchased without consultation.
- The Soviets have purchased 4.8 mmt of wheat this year and 1.6 mmt of corn. The Soviet official who met with Kay expressed an interest in purchasing another 2 mmt of wheat under the EEP. USDA is assessing the request.

Soviet Objectives in Renewed LTA (Per Tom Kay)

- A 2-year agreement to align to their next 5-year plan.



- An agreement running from July to June, to align to their crop year rather than our fiscal year.
- Agreement to sell at "prevailing market prices" -- tantamount to open-ended commitment to EEP sales.
- Enhancement of Soviet exports to the U.S.
- Maritime agreement completed before new LTA, with aim of eliminating 14-day notice requirement.

#### Elements of USG Analysis of Renewed LTA

- Assessment of U.S. bargaining position, politically and economically.
- Crop outlook in U.S., USSR, and rest of world.
- Strengths and weaknesses of existing agreement.
- Impact on other U.S. objectives (e.g., MTN reform of agriculture).
- U.S. objectives in renewal.
- U.S. negotiating strategy.

#### USG Process for Review of Renewal

As discussed earlier, our main goal should be to ensure that a paper is being prepared by an interagency working group. The paper should be ready soon, no later than Friday, January 29. We do not need to resolve the issue of what senior group should review the paper at the meeting today.

#### RECOMMENDATION

Use the attached talking points to open and close the meeting.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

#### Attachments

- A Talking Points
- B List of Participants



A.

## TALKING POINTS

Renewing U.S./USSR LTA on Grains  
3:00 P.M., January 11, 1988  
Room 208

### Introduction

- o Thank you for coming today. The main purpose of the meeting is to reach a common understanding on what needs to be done to get a U.S. position on renewing the Long-Term Agreement on Grains with the Soviet Union.
  - As you know, the LTA expires on September 30 of this year.
- o The issue was last discussed by the Policy Review Group in a meeting chaired by Colin Powell last September 30. At that time, it was agreed to take no position in upcoming bilateral discussions with the Soviets but agree to discuss renewal beginning early in 1988.
- o The Soviets appear interested in renewal, and we need to be prepared to respond.
- o Let me first turn to Tom Kay to report on recent discussions he has had with the Soviets.
- o I would then like to open the discussion up. I would like to avoid, however, getting deeply into a discussion today of the merits of renewal, particularly since I know Tom needs to leave to catch a plane.
- o Tom, the floor is yours.

### Conclusion

- o Our main goal for today is to assure that a paper on renewal of the grains LTA is in the works, and will be completed soon -- I suggest by January 29.
- o If USTR has begun the process for preparing that paper, so much the better. Is the January 29 target achievable?

B.

# REQUEST FOR APPOINTMENTS

To: Officer-in-charge  
Appointments Center  
Room 060, OEOB

Please admit the following appointments on Monday, January 11 , 19 88

for Stephen P. Farrar of NSC  
(NAME OF PERSON TO BE VISITED) (AGENCY)

KAY, Thomas O.	9/29/29
SMITH, Michael	passholder
LARSON, Alan	7/19/49
HOLMER, Alan	7/24/49
TRACY, Alan	passholder
McALLISTER, Eugene	passholder
ARNY, Wayne	EOB passholder
ERMARTH, Fritz	passholder
HOFFMANN, Deane	10/15/42
CLARKE, Robert	4/27/42
VARGO, Frank	3/11/42
CUNDIFF, Carl	4/28/41

## MEETING LOCATION

Building White House Requested by Betty A. Marshall  
Room No. ROOM 208 Room No. 365 Telephone x3543  
Time of Meeting 3:00p. m. Date of request 1/11/88

Additions and/or changes made by telephone should be limited to three (3) names or less.

APPOINTMENTS CENTER: SIG/OEOB - 395-6046 or WHITE HOUSE - 456-6742



THE UNITED STATES TRADE REPRESENTATIVE  
Executive Office of the President  
Washington, D.C. 20506

*Rick  
Smetmire  
Long Term  
Grain  
Agmt*

December 8, 1987

MEMORANDUM FOR MICHAEL SMITH/ALAN HOLMER

FROM: CLAYTON YEUTTER



Subsequent to your conversation with me, Mike, I talked with Secretary Lyng about our long term grain agreement with the Soviet Union. Dick had not heard the suggestion that we simply rollover the present agreement for one more year, and he does not agree with that position.

I told Lyng that I had a lot more confidence in negotiations with the Soviets conducted by this Administration, than I would have in negotiations conducted by our successors, and this would call for achieving something well beyond a one-year extension. Whether it should be five years, the term of the original agreement, or something less than that is a topic we can strategize about at a later date.

Secretary Lyng believes that we should re-negotiate the agreement if there is any interest on the Soviet side. Though it may not be terribly important in economic terms, it still has substantial political relevance here in the United States. If we can re-negotiate it successfully, that will be another feather in the cap of the Reagan Administration in its final year. And it could be helpful to the Republican Presidential candidate in 1988 as well.

Dick's feeling is that we should concentrate primarily on quantities in the agreement, rather than on pricing provisions, and I concur with that. Even though the pricing provisions of the existing agreement have given the Soviets an out during the last three years, it is hard to build a persuasive argument that they should buy from us when our export prices are considerably higher than those of our competitors. But if we're prepared to sell to them at world market prices, it would be advantageous to lock in minimum purchase requirements by the Soviets, and hopefully minimums higher than they are today. If that were done, it would be perceived as a successful negotiation.

Secretary Lyng believes it would be desirable to focus on this issue on an interagency basis in the very near future, and he offers the full cooperation of his people. He hopes we will name a top flight negotiator to head the U.S. Delegation, and suggests that the negotiation be held in a neutral site such as Geneva or Vienna.

cc: A. Wallis  
S. Danzansky  
S. Early

Grain (16x8)  
Danzansky

**RONALD W. REAGAN LIBRARY**

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 9210 LISTED ON THE  
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.