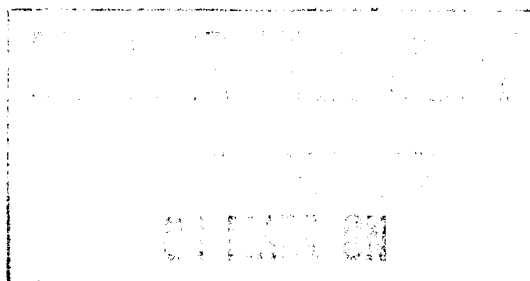




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Soviet Long-Term Grain Agreements: Leverages and Vulnerabilities in Coming Renegotiations

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An Intelligence Assessment

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July 1983

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Soviet Long-Term Grain Agreements: Leverages and Vulnerabilities in Coming Renegotiations

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An Intelligence Assessment

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of Global Issues. Comments and queries are welcome
and may be directed to the Chief, Commodity
Markets Branch, OGI []

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**Soviet Long-Term Grain
Agreements: Leverages and
Vulnerabilities in Coming
Renegotiations**

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Key Judgments

*Information available
as of 1 July 1983
was used in this report.*

Long-term grain agreements (LTAs), although accounting for only a small share of global grain trade, will continue to be instrumental in shaping East-West grain policy. The US partial grain embargo against the USSR in 1980 resulted in an increase—from about 25 percent to more than 80 percent—in the non-US share of the large Soviet grain market and provided an opportunity for US competitors to sign LTAs with the USSR. Three major US competitors and two smaller exporters now have LTAs or protocol agreements with the Soviet Union; none existed in the late 1970s.

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Only one major LTA is looming on the horizon—the US-USSR agreement, which will expire on 30 September. The USSR is well positioned for these grain talks because of the glut of grain on the world market and the fact that it has up to 14 million tons of grain per year already committed under agreements with Canada, Argentina, France, and other smaller suppliers. Use of this perceived leverage by Moscow is likely to be tempered, however, by its concern that US acreage reduction programs or a sudden rash of crop failures could at least temporarily tighten markets, leading to higher prices as soon as next year.

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A new US-USSR agreement is likely to mark the end of major new grain commitments for the next 18 months. Beginning in late 1984, however, nearly all the LTAs now in effect will come up for renewal and a flurry of activity can be expected. If the grain glut continues until then, as we expect, these forthcoming LTA negotiations will be contentious as exporters vie with each other in an attempt to tie up long-term sales. This means that barring a change in the supplier country approach to LTAs, Moscow will find itself in the driver's seat during LTA renewal negotiations.

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The Soviets are not likely to be idle actors during the next 18 months. They probably will begin to lay the groundwork for the post-1984 renewals well before they come up. As the negotiations draw closer, we would expect Moscow to start playing one exporter off against the other. Moscow would likely:

- Stress to each producer the access others are offering. The bilateral nature of the LTAs gives Moscow an upper hand in this regard. Moreover, to the extent possible, the Soviets will use the terms and even the wording of any new US-USSR agreement to pressure other exporters. They will point to any aspect—such as a high maximum purchase ceiling—that makes it seem that the need for non-US grain has been lessened.

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- Be amenable or even anxious to reach a grain accord with Australia—the only major exporter currently without an LTA with the Soviets. Although the amount of grain involved probably would not be large, it would provide Moscow both with further guarantees of supply and a card to play with other producers.
- Carefully monitor crop developments and production expansion or reduction policies in the key producing countries—the United States, Canada, Argentina, Brazil, Australia, and the European Community. Any signs of bumper crops or production expansion efforts probably will be used as a further wedge to split the major producers.
- Test the waters for signs that non-US exporters are anxious to strike new deals before their respective LTAs come up for renewal. This tactic would become increasingly important if Moscow perceived a lessening in Western overproduction or a more determined bargaining stance by the exporting countries.

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Moscow also will watch closely to see how Beijing plays its hand vis-a-vis the major grain exporters. China—the world's third-largest importing nation—has three major agreements, which will expire in December 1984. The outcome of these sessions will set a tone for future negotiations that the Soviets can only indirectly affect. This will increase Moscow's interest in working behind the scenes well before the current round of LTAs begins to expire.

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Soviet Long-Term Grain Agreements: Leverages and Vulnerabilities in Coming Renegotiations

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Introduction

Long-term grain agreements (LTAs) became a major feature of world grain markets following a series of shocks to the world economic system in the early 1970s (appendix A, B). While oil and commodity prices surged, grain markets were also affected. Drought sharply reduced the size of the Soviet wheat crop in both 1972 and 1975, forcing the USSR to purchase record amounts of grain. During the same period, world grain output dropped 55 million tons and did not recover until 1976. Both events served to push up grain prices sharply. Wheat prices shot up from about \$95 per ton in early 1973 to almost \$240 per ton in 1975, and corn prices nearly tripled during the same period.

Spurred by grain shortfalls in the USSR, as well as in China, buyer and seller alike turned to LTAs as a way of reducing uncertainty in grain trade. During the marketing years (MY) 1975-80,¹ 20 major grain accords were signed. In all, grain traded under LTAs increased from only 2.5 million tons in MY 1974 to 16.5 million tons by MY 1980.

A second surge in the use of LTAs began about 1980 under a different set of circumstances. Largely in response to the tight grain markets of the mid-1970s, the major grain producers had undertaken programs to expand production for the export market. The recession cut world grain demand sharply, and substantial surpluses began to mount. As competition for grain sales intensified, Washington decided to impose a partial embargo on grain sales to the Soviet Union in 1980 in response to the Soviet invasion of Afghanistan, opening up new opportunities for non-US exporters.

¹ Throughout this paper, the term marketing year (MY) refers to the July/June period ending in the year designated. For example, MY 1973 refers to 1 July 1972 through 30 June 1973. Other years are on a January/December basis unless otherwise specified.

With the United States largely out of the picture, the major exporters scrambled to do business with Moscow and signed a rash of new grain agreements to maintain newly acquired shares of the Soviet market. Since MY 1980 Moscow has signed five new agreements for up to 14 million tons of grain, a 130-percent increase over the level in effect in MY 1980. By MY 1982 annual grain trade covered under LTAs had reached 33 million tons, double its MY 1980 level, with the Soviet Union accounting for nearly 50 percent of the total.

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As far as individual foreign producers are concerned, Canada, Argentina, Brazil, Thailand, Hungary, and Romania have LTAs with the USSR for a total of 11 million tons of grain. In addition, France reportedly signed a protocol agreement with the Soviets last year for up to 3 million tons, and an Australian official announced in April that Canberra will seek a long-term accord with Moscow on wheat purchases. This is on top of a US LTA for a minimum of 6 million tons.

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LTAs and the Current US-USSR Negotiations

The current grain surplus and existing Soviet LTAs with US competitors favor the USSR in negotiating a new US-Soviet grain accord to replace the one expiring 30 September. Although we believe the USSR will remain a substantial grain importer over the next few years—perhaps in the 20- to 30-million-ton range even with relatively good harvests—quantities already lined up through agreements with other exporters have reduced Moscow's dependence on US grain in the short run. Moreover, Soviet grain purchases from

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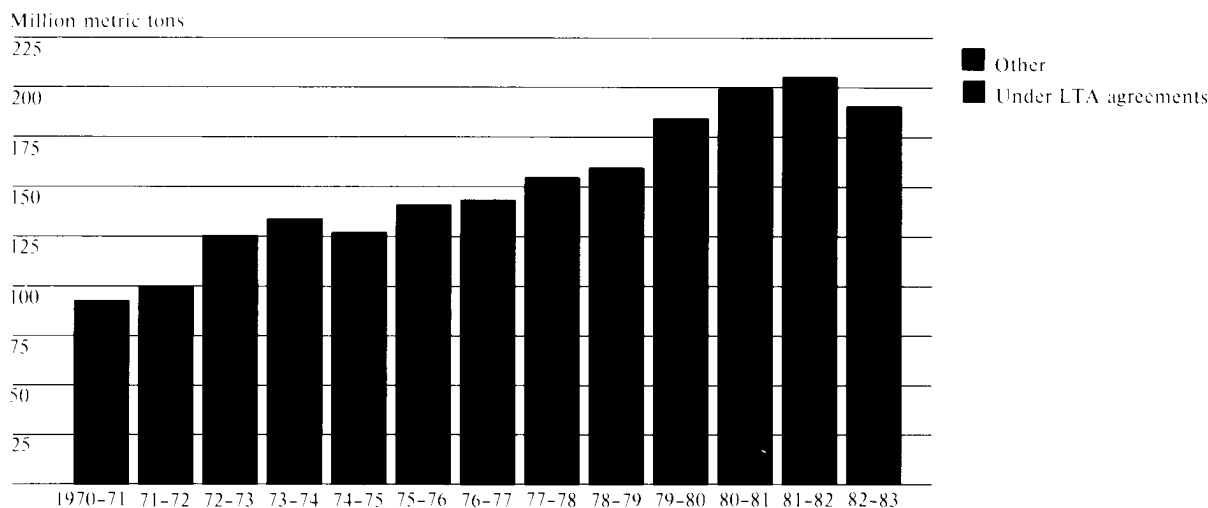
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Figure 1
World Grain Exports



⁴Including corn, sorghum, barley, oats, millet, rye, wheat, and miscellaneous grains.

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Argentina and Canada have been at least double the LTA minimums since the agreements were signed in 1980 and 1981, and these countries have given no indication of reducing grain exports. [redacted]

The way the world grain market operates also weakens US negotiating leverage. Ready access to US grain surpluses gives US competitors the freedom and the flexibility to commit relatively large amounts of grain under LTAs. In years of production shortfalls, non-US suppliers can buy grain from the United States to meet LTA commitments without pushing up domestic prices. The United States traditionally has served as the world's grain reserve; it currently accounts for more than 60 percent of world stocks. This year, for example, Australia was able to ship 1 million tons of grain to the USSR and satisfy export commitments to other foreign buyers by importing US grain for domestic use and using much of its own drought-reduced crop for exports. [redacted]

We believe, however, that long-run considerations will prompt the Soviets to hammer out an agreement with the United States before the current LTA expires.

The Soviets must certainly realize that a continuing world grain surplus is by no means assured. A sudden rash of crop disasters in major grain-producing countries, although unlikely, could trigger a return to tight markets.² [redacted] the Soviets have shown concern over the impact of US acreage reduction programs on future US grain supplies. [redacted]

[redacted] they had estimated that the US payment-in-kind program could cut the size of the US harvest by up to 25 percent in two years as well as liquidate a significant [redacted]

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What Are LTAs?

Long-term grain agreements (LTAs) are formalized, multiyear promises between importers and exporters to buy and sell fixed quantities of grain at regular intervals. LTAs are usually negotiated and signed on a government-to-government basis but have no force of law in the international courts; they are in essence gentlemen's agreements. Where grain supplies are controlled by quasi-governmental organs, such as grain boards, those bodies are parties to the agreement. In a few cases, such as the US grain accords with Taiwan and Norway, importing governments have dealt directly with private US firms. [redacted]

Once an LTA is in place, separate sales contracts are then negotiated by the importing country and private grain-trading firms or grain boards, specifying price, types and grades of grain, quantities, point of origin, delivery schedules, and method of payment. The agreement itself may specify many of these same particulars, with the exception of price, which is solely a contract item. No two LTAs are identical because the specifics are drawn up to achieve a variety of economic, as well as political ends. Based on a review of existing LTAs, however, most specify:

- **Quantity.** An amount of grain to be purchased over the life of the agreement. Some agreements require minimum purchases with no upper limit; others call for a minimum as well as maximum quantity to be shipped each year. The US-USSR LTA authorizes the USSR to purchase a minimum of 6 million tons and a maximum of 8 million tons without additional approval.
- **Duration.** Most agreements cover a period of three to five years. The only LTA to exceed five years is the Argentine-Soviet accord, which spans six years. The US-USSR agreement, signed in 1976, was for five years but has been extended on a yearly basis since 1981.
- **Shipping Arrangements.** Some agreements require the importer to ship a certain portion of the grain on ships licensed under the flag of the exporting country. The US-Soviet grain agreement requires that shipments meet the provisions of the US-USSR Maritime Agreement, which calls for one-third of the grain to be shipped in US bottoms, one-third in Soviet bottoms, and the remainder in third-country vessels.

- **Escape Clause and Enforceability.** The degree to which countries are committed by the terms of an agreement varies greatly. US agreements are written with well-defined commitments by both parties. The current US-USSR LTA, for example, allows the United States to suspend the guaranteed minimum if US grain supplies fall below 225 million tons. This provision has never been invoked; indeed, US supplies have not dropped below 225 million tons in more than 20 years. Argentina's agreements are, apparently, less binding. Argentina has frequently reneged on commitments because of grain transportation, storage, and production problems. 25X1
- **Credit.** Unlike the United States, Australia and Canada often include financing provisions in LTAs. Both have agreements with China that include credit terms ranging from 12 to 18 months. As hard currency problems decrease the purchasing ability of major grain importers, particularly LDCs, short-term credit will become a more important proviso.
- **Type of Grain.** All LTAs specify the type of grain to be shipped, such as wheat or corn. The US-USSR LTA calls for a minimum of 3 million tons each of corn and wheat.
- **Restrictions on Use.** Some LTAs restrict the destination of grain imports covered under the accord. The US-Soviet agreement requires grain to be consumed solely in the USSR. Grain committed under Moscow's accord with Ottawa, however, allows shipments to Cuba.
- **Consultation Arrangements.** Most LTAs provide for regular consultations to discuss the status of bilateral grain trade. These meetings give both parties an opportunity to exchange information on import intentions and grain availability, to air grievances, and to nourish political and economic relationships that extend beyond grain trade. [redacted] 25X1

Some countries prefer to sign multiyear protocols or memoranda of understanding. These arrangements often include many of the terms covered under LTAs; however, they do not bind either party to minimum commitment levels. France has chosen to sign protocols with China and the USSR rather than LTAs, which require EC approval. [redacted] 25X1

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US-USSR LTA Negotiations

The negotiations will center on these key issues:

• Size of Purchases. [redacted]

[redacted] *Moscow probably will resist US efforts to increase the current 6-million-ton minimum while pushing hard to raise the maximum level, perhaps to 15 million tons.*

• Delivery Guarantees. *Soviet officials have stressed contract sanctity to US officials and grain firms, stating that delivery guarantees included in recently passed legislation are insufficient.* [redacted]

[redacted] *they want to maintain in a new agreement the current prohibition against the United States withholding grain committed under the accord.*

• Credit. *Although Soviet officials surfaced the idea of including credit within the framework of a new LTA, we believe this was a trial balloon to gauge Washington's flexibility. It is widely known that the Jackson-Vanik Amendment prohibits official credit to countries not granted most-favored-nation status.***• Other Commodities.** *We believe the Soviets probably will resist attempts to bring other products—especially soybeans and soybean meal—under the agreement. For the past three years they have met most of their import requirements for soybeans and meal from non-US sources. Moscow has LTAs with Argentina and Brazil for a total of 1 million tons of soybeans and 400,000 tons of soybean meal, or almost half of total Soviet import demand for these products.* [redacted]

proportion of US surplus grain stocks over a similar period. [redacted] if the Soviet Union were hit by a bad harvest and the world grain market were strongly at the advantage of the sellers, the Soviets would be in serious need of privileged access to US grain. Moreover, Soviet LTAs with non-US exporters will expire beginning in late 1985. Moscow

can also recall two years ago when its import needs reached a record 45 million tons and, although it was not politically expedient, the Soviets had to turn to the United States for 15.4 million tons of grain. [redacted]

Future Impact of LTAs

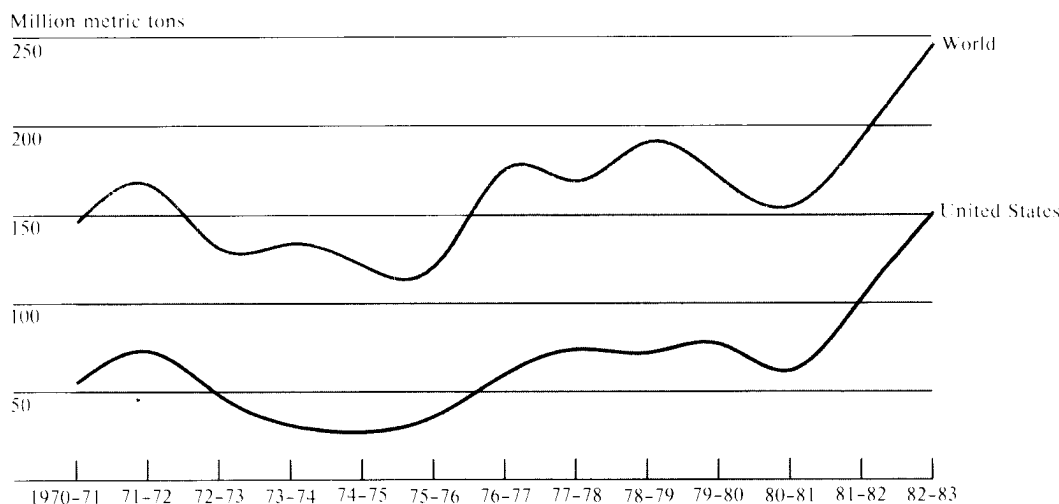
A new US-USSR agreement is likely to mark the end of major new grain commitments for the next 18 months. Major importers are not in a position to enter into new LTA agreements:

• The USSR and China already have LTAs with most of the major exporters, which accounted for roughly 60 percent and 85 percent, respectively, of total expected grain imports last year (appendix C).**• Japan**, the world's second-largest grain importer, has well-established grain trade relationships with the United States, Canada, Australia, and Argentina as do other industrialized grain-importing countries. These suppliers' shares of the Japanese market have remained relatively constant, as have total Japanese grain imports. An LTA with Japan would accomplish little more than putting down on paper what is already done in practice.**• Many LDCs** are suffering from severe hard currency shortages. Any grain agreements with these countries probably would need to include provisions for supplier credits, such as the US-Mexican agreement that authorizes up to \$1.7 billion in US credit guarantees to exporters for the sale of US agricultural commodities to Mexico. Exporting nations are reluctant to grant multiyear credit arrangements for consumable commodities; moreover, the current oversupply could evaporate over time, providing exporters an opportunity to sell grain without the cost of supplying credit.**• Eastern Europe** is in a situation similar to that of the LDCs: the need for grain imports exists, but the hard currency to buy it does not. East European grain imports averaged 16.5 million tons during MY 1979-81 but dropped to 13.5 in MY 1982 and to only an estimated 7-8 million tons in MY 1983 as

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Figure 2
World Grain Stocks



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the flow of Western grain credits dried up. Poland's LTAs with Canada and France were allowed to lapse in 1982 since exporters were reluctant to provide financing, given Poland's insolvency and Western sanctions against new credits. More recently, Western Europe and Canada have made grain financing available to Eastern Europe but have not shown a willingness to enter into new grain agreements. Moreover, Eastern Europe has become increasingly concerned about its indebtedness to the West and may restrict grain imports rather than incur additional short-term debt.

In late 1984 almost all of the LTAs now in effect will start to come up for renewal. As things now stand, there is nothing on the horizon to suggest that Western capitals will not pursue grain accords with the USSR. From the perspective of the major producers:

- Argentine officials have commented to US representatives that they recognize Argentina's "dependency on the Soviet market" and consider their LTA with the Soviets to be the most important agreement

in the history of Argentine grain trade.

Moscow has imported 50 to 75 percent of Buenos Aires' exportable grain surplus for the past three years, and, according to the Argentine Agriculture Secretary, Argentina plans to continue shipping at least half of its grain exports to the USSR.

- Australian officials publicly stated earlier this year their plans to pursue negotiations for a long-term accord with the Soviets, noting that Australia is the only major wheat exporter without an LTA with the USSR. Soviet imports of Australian grain have averaged 2 million tons—or about 17 percent of total Australian grain exports since MY 1981.

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Table 1
USSR and China: Expiration
of Major LTAs

	Expiration Date	Million Tons
Total		22.0-29.7
China-United States	December 1984	6.0-8.0
China-Argentina	December 1984	1.0-1.5
China-Australia	December 1984	1.5-2.5
USSR-France	June 1985	1.5-3.0
China-Canada	July 1985	3.5-4.2
USSR-Argentina	December 1985	4.0
USSR-Canada	July 1986	4.0-6.0
USSR-Brazil	December 1986	0.5

- Canada has courted Soviet grain purchases by offering discount prices and government-backed grain credits. [redacted] Moscow has become an increasingly important customer, supplanting China as Ottawa's primary importer.

We believe that unless market conditions or strategic perspectives change, the major non-US exporters will actively seek to expand their LTA grain sales, especially with the USSR and China. With about 90 million tons in excess supplies already in hand and a continuing grain glut likely, foreign exporters will be forced to be aggressive. This would put the Soviet Union in the driver's seat in negotiating new agreements. Moscow would be in a position to play one exporter off against the other to obtain the best terms—a tactic used effectively in the recent negotiations on the export gas pipeline to Western Europe. Grain exporters, fearing loss of their market shares, would be anxious to renew their LTAs, probably on terms favorable to the East. [redacted]

The LTA renegotiations also will carry with them a political dimension. In the major grain exporting countries, grain trade constitutes a significant share of total export earnings, and most non-US exporting nations have central control over their international

grain sales through grain boards that are quasigovernmental agencies. The resulting government-to-government contacts bring grain trade into the political arena. In this context, LTAs can pay a political dividend beyond their commercial value. By signing LTAs with non-US suppliers, Moscow minimizes the risk of multilateral embargoes. For example, when martial law was imposed in Poland in late 1981, non-US exporters were unwilling to undertake any grain trade sanctions against the Soviets. Neither Argentina or Canada wanted to risk the larger share of the lucrative Soviet market they had gained through LTAs. According to the Argentine Secretary of Agriculture, the Argentina-USSR LTA gave Buenos Aires an opportunity to demonstrate its independence—presumably from the United States—on key issues of national interest. [redacted]

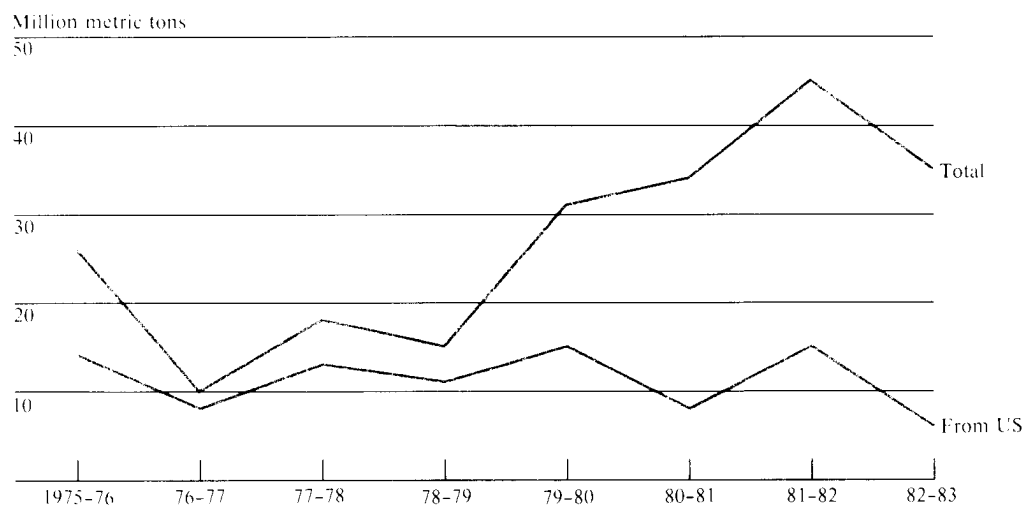
Before the next round begins, Moscow can be expected to start laying the groundwork for its LTA renewal negotiations. We would expect Moscow to:

- Stress to each exporter the concessionary terms others are offering. These terms might include wide purchase commitment ranges, credit provisions, and delivery guarantees. Moreover, the Soviets will try to use the terms and even the wording of any new US-USSR agreement to pressure other exporters. They will point out any aspect of the agreement that guarantees Soviet access to a larger amount of US grain—such as increasing the maximum amount that Moscow can buy without additional consultations above the current 8-million-ton level—to indicate that the need for non-US grain has been lessened.
- Be amenable or even anxious to reach a grain accord with Australia. Although the amount of grain involved probably would not be large, it would provide Moscow with further guarantees of supply and a card to play with other producers.

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Figure 3
USSR: Grain Imports



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Table 2
Major Grain Importers: Expiring Agreements

Million tons

Importer	Exporter	Quantity	Expiration Date		
			MY 1985	MY 1986	MY 1987
China	United States	6.0-8.0	December		
	Argentina	1.0-1.5	December		
	Australia	1.5-2.5	December		
	Canada	3.5-4.2		July	
Soviet Union	Argentina	4.0		December	
	Canada	4.0-6.0			July
	France	1.5-3.0	June		
Brazil	Canada	1.0-1.5		December	
Iraq	Australia	0.5-0.75		December	
	Canada	0.35-0.45		December	
Algeria	Argentina	0.18-0.36		December	
	Canada	0.5-0.7			July
Egypt	Australia	1.0			December

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- Carefully monitor crop developments and production expansion or reduction policies in the key producing countries—the United States, Canada, Argentina, Brazil, Australia, and the European Community. In negotiating a new accord with Argentina, which is the first LTA to expire, Moscow may try to use this information to demonstrate that Argentina needs the Soviet market rather than vice versa. The Soviets could hold up the ambitious grain production programs undertaken by the other exporters—Canada plans to increase grain exports 20 percent by 1990, and Australia hopes to double grain output in the next 20 years—as a reminder that grain supplies promise to increase and that Moscow can afford to wait. Furthermore, Argentina's own desires to increase grain production 50 percent and to become the world's second-largest grain exporter after the United States by 1992 will weaken its bargaining position.
- Repeatedly test the waters for signs that non-US exporters are anxious to strike new deals before their respective LTAs come up for renewal. If China's LTA negotiations become stalemated, the Soviets may initiate talks of their own, hoping to find exporters eager to sign an agreement.

Moscow will watch closely to see how Beijing plays its hand vis-a-vis the major grain exporters. China—the world's third-largest grain importing nation—has three major agreements, including one with the United States, which expire in December 1984. Beijing can be expected to use many of the same tactics as Moscow. As long as a buyer's market continues, China may:

- Demand that concessions made by the United States in a new US-USSR LTA be included in a new agreement with China.
- Link the signing of LTAs to other economic or political issues such as textile trade or political asylum.

The extent to which China gains the upper hand in LTA negotiations will determine somewhat the strength of the Soviets' negotiating position. Since the Chinese talks will set a tone for future Soviet negotiations, they will serve to increase Soviet interest in working behind the scenes well before the current round of LTAs begins to expire.

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Appendix A

Major Long-Term Grain Agreements Since 1970

Thousand tons

	Argentina			Australia			Canada			United States		
	Period	Quantity	Grain Type	Period	Quantity	Grain Type	Period	Quantity	Grain Type	Period	Quantity	Grain Type
Total 1983		5,380-6,160			3,250-4,500			10,550-14,800			14,470-18,470	
Algeria	1975-79 1981-85	270-450 180-360	Wheat, corn Wheat, corn				1972-75 1977-79 1980-82 1983-86	212-250 166-225 350-500 500-700	Wheat Wheat Wheat Wheat			
Brazil	1972-74	1,000	Wheat				1970-73 1973-76 1976-79 1980-82 1983-85	225-250 150-300 225-500 1,000-1,200 1,000-1,500	Wheat Wheat Wheat Wheat Wheat			
Chile	1977-79	500	Wheat									
China	1974-76 1979-81 1981-84	700-1,000 1,000 1,000-1,500	Wheat, corn Wheat, corn Wheat, corn	1974-76 1979-81 1981-84	150 2,500 1,500-2,500	Wheat Wheat Wheat	1975-77 1980-81 1982-85	1,600-2,000 2,800-3,500 3,500-4,200	Wheat Wheat, barley Wheat	1981-84	6,000-8,000	Wheat, corn
Egypt				1972-74 1976-78 1979-81 1982-86	1,000 1,000 1,000 1,000	Wheat Wheat Wheat Wheat						
Iraq	1981-83	200-300	Wheat	1983-85	500-750	Wheat	1974-75 1983-85	100-300 350-450	Wheat Wheat			
Israel										1975-77	1,460	Wheat, feedgrains
Korea DPR	1974-76	267	Wheat, corn									
Lebanon							1973-75 1978-80 1981-86	80 150 150-200	Wheat Wheat Wheat			
Mexico							1981-83	50-250	Wheat			
Norway										1975-77	150-350	Wheat, feedgrains
Peru	1976-78	240	Wheat, feedgrains									
Poland							1974-76 1977-79 1980-83	250-333 500-1,000 1,000-1,500	Wheat, barley Wheat, barley Wheat, barley, oats			
Saudi Arabia				1976-78	200	Wheat						
Taiwan										1975-80 1981-85	1,165 2,470	Wheat, feedgrains Wheat, feedgrains
USSR	1980-85	4,000	Corn, sorghum				1981-85	4,000-6,000	Wheat, barley	1977-81 1981-83	6,000-8,000 6,000-8,000	Wheat, corn Wheat, corn
Yemen AR				1982-84	250	Wheat						

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Appendix B

**Major Grain Exporters: Other Grain
Export Commitments ^a***Thousand tons*

	Australia		Canada		France		United States		Eastern Europe ^b	
	Quantity	Grain Type	Quantity	Grain Type	Quantity	Grain Type	Quantity	Grain Type	Quantity	Grain Type
Total	1,950		3,450		5,800-8,500		20,200		1,000	
China					500-700	Wheat				
Intra-European Community					3,000-4,000	Wheat				
Indonesia	450	Wheat								
Japan	1,500	Wheat, feed-grains	2,200	Wheat, feed-grains			15,000	Wheat, feed-grains		
Mexico							5,200	Wheat, feed-grains		
Morocco					800	Wheat				
United Kingdom			1,250	Wheat						
USSR					1,500-3,000	Wheat			1,000	Corn, wheat

^a Includes protocol agreements, one-year repeating bilateral accords, and traditional customers.

^b Hungary and Romania.



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Appendix C

Existing Non-US Grain Agreements

USSR

Argentina (1 January 1980–31 December 1985)

- Authorizes the USSR to purchase from private commercial firms 4 million tons of corn and sorghum and 500,000 tons of soybeans annually.
- Purchases in excess of these quantities will be authorized only after consultation.
- Purchases will be made at prevailing market prices.
- Quantities stipulated in the agreement and additional amounts agreed upon will not be affected by an embargo.

Canada (1 August 1981–31 July 1986)

- Authorizes the USSR to purchase from the Canadian Wheat Board a minimum of 4 million tons of wheat, barley, and oats in 1981/82. The minimum commitment increases 500,000 tons a year to reach 6 million tons in the fifth and last year of the agreement.
- Quantities stipulated in the agreement will include grain shipments to Cuba on Soviet account.
- Prices will be negotiated every six months.
- Quantities stipulated in the agreement will not be affected by any restrictions imposed by the Canadian Government. Unlike the Argentine agreement, additional amounts agreed to by both parties may be subject to embargo.

Brazil (1 January 1982–31 December 1986)

- Authorizes the USSR to purchase from private firms and cooperatives a minimum of 500,000 tons of soybeans and 400,000 tons of soybean meal annually.
- Beginning in 1983 approximately 500,000 tons of corn will be exported to the USSR annually.
- Prices will be negotiated.

France (1 July 1982–30 June 1985)

- States Soviet intentions to purchase from private firms 1.5-3 million tons of French wheat annually.
- Price and method of payment will be determined at the time of the actual sale.

China

Argentina (1 January 1981–31 December 1984)

- States Chinese intentions to purchase from private commercial firms and the Argentine Grain Board a minimum of 1 million tons of wheat, corn, and soybeans annually, with at least 70 percent being wheat.
- An additional 500,000 tons—of which 200,000 tons must be wheat—of grain and soybeans may be purchased without further consultations.
- Purchases will be made at prevailing market prices.

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Australia (1 January 1982–31 December 1984)

- Authorizes China to purchase from the Australian Wheat Board a minimum of 1.5 million tons and a maximum of 2.5 million tons of wheat annually.
- Includes 12-month credit terms.
- Prices will be negotiated.

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Canada (1 August 1982–30 July 1985)

- Authorizes China to purchase from the Canadian Wheat Board a total of 3.5-4.2 million tons of wheat annually.
- Provides payment terms of 25-percent cash and 18-month credit on the remainder.
- Prices will be negotiated.

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France (1 June 1980–31 May 1983)

- States Chinese intentions to purchase from private firms 500,000 to 700,000 tons of wheat.
- Price and credit arrangements, if any, will be determined at the time of sale.

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