U.S. & SOVIET AGRICULTURE

by Lester R. Brown

Each day two 20,000-ton freighters loaded with grain leave the United States for the Soviet Union. This flow of grain between two major adversaries is influenced by economic considerations such as the size of the Soviet grain deficit, the U.S. capacity to supply, and the Soviet ability to pay. Political considerations include the risk to both trading partners of such a heavy interdependence, whether as supplier or market.

Never before has a country dominated the world grain trade as the United States does today. Its 55 per cent share of world grain exports in 1981 easily overshadows Saudi Arabia's 24 per cent share of world oil exports in 1978. And while the amount of oil traded internationally has been falling since 1979, grain shipments are continuing to grow. In the early 1980s, U.S. grain exports are dwarfing those of the other principal suppliers—Canada, Australia, Argentina, and France. Annual grain exports from each of these countries now typically range from 11 to 24 million tons; the United States exports 110 million tons.

From 1972 until 1980 the U.S. supplied an average of 61 per cent of Soviet grain imports. With a partial export embargo imposed by the United States in early 1980 following the Soviet invasion of Afghanistan, the U.S. share of Soviet imports fell to 24 per cent. The U.S. embargo distorted normal grain trade patterns as the Soviet Union turned to other suppliers, all quite small by comparison. Tying up the lion's share of exportable supplies from countries such as Argentina, the Soviet Union forced Japan and other major importers to rely even more heavily than usual on the United States. As a result, U.S. restrictions on grain shipments to the Soviet Union effectively altered not only Soviet sources of supply but the entire world pattern of grain trade. The partial embargo did not reduce measurably the amount of grain imported by the Soviets, but it did make grain imports more difficult and somewhat more costly. It also let the Soviets know that food would be used as an instrument of foreign policy.

The current flow of grain from the United States to the Soviet Union operates within the framework of the U.S.-Soviet Grains Agreement, a five-year pact that ran from October, 1976, to September, 1981, and was extended for one year in August of 1981. This agreement requires that the Soviet Union purchase annually a minimum of 6 million tons of corn and wheat in roughly equal quantities. It also allows the Soviets to purchase up to 8 million tons if needed, but purchases in excess of this amount require consultations between the two countries and special permission from the U.S. Government. In any year that the U.S. Department of Agriculture estimates the combination of U.S. production and carryover stocks at less than 225 million tons, the U.S. may reduce the amount available to the Soviets below the stated minimum.

The United States delayed negotiations on a new long-term grain agreement, scheduled to begin in early 1982, in response to the Soviet Union's role in Poland's domestic crisis. In late July, 1982, the United States offered another one-year extension of the agreement rather than a new agreement, expressing its displeasure at the establishment of martial law in Poland. After pondering the proposed extension for a few weeks, the Soviets decided to accept it, even though they preferred the security of a multiyear agreement.

At the time the original agreement was made, the Soviets were far more hopeful than they are today about their long-term food prospects. Consequently, since 1976 purchases have far exceeded the 8 million-ton maximum permitted automatically by the agreement, requiring numerous consultations. Nonetheless, the agreement has helped to stabilize the world grain market.

The Soviets have a natural preference for buying basic commodities in the U.S. market, as is shown by their grain-purchase patterns before the 1980 embargo. The United States has year-round warm-water ports, something Canada lacks, and these ports can handle freighters in the 100,000-ton class. The United States is also less distant from Soviet ports than Australia or Argentina, thus lowering transportation costs. With massive grain imports straining the capacity of Soviet ports, an even flow of grain is essential and is easier to maintain from a single large supplier than from several smaller ones.

Ultimately, constraints on Soviet food imports may hinge on the country's ability to earn foreign ex-

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change. The USSR now depends heavily on export earnings from oil, natural gas, and gold. Eventually it will lose its exportable surplus of oil and gold, and with it key sources of hard currency. Unless the Soviet Union develops a competitive industrial capacity—something it has yet to do on a meaningful scale—foreign exchange shortages ultimately could limit its food imports.

While this limited capacity to earn foreign exchange might restrict Soviet food imports, there is little to restrict the U.S. ability to supply grain in the future. The yield-raising technologies by which U.S. agriculture boosts food output are advancing, though more slowly than in the early postwar decades. In addition, there is an extensive potential for double cropping, which farmers are systematically exploiting.

Of the various long-term constraints on U.S. food exports, soil erosion is perhaps the most serious. With the expanding world market for grains has come an intensification of agriculture—most notably on sloping lands in the Midwest and Southern states, where continuous row cropping is leading to a soil loss that may match or exceed that of the Dust Bowl era. The Soil Conservation Service has identified 17 million acres of land now in crops (over 4 per cent of the total) that are losing topsoil so fast that they must be converted to grassland or trees if they are not to be rendered worthless.

THE FOOD CONNECTION

In the new commercial food relationship between the two superpowers, dependence is mutual, but it is not symmetrical. Soviet dependence on U.S. supplies, directly or indirectly, is greater than U.S. dependence on Soviet markets. Whether or not the Soviets import directly from the United States, it is the U.S. export capacity that makes Soviet imports possible. For the United States, an embargo on grain exports to the Soviet Union would eliminate direct shipments but would be unlikely to have much effect on total U.S. exports. If Canada and Australia were to join the embargo, a possibility in an emergency, then Soviet imports would be reduced, as would overall U.S. grain shipments. In such an event, the United States Government could idle cropland by supporting farm prices. This technique has been widely used since World War II and was reintroduced on a limited scale in 1982.

Although American farmers are the most outspoken advocates of trade with the Soviet Union, the higher level of farm exports to the USSR does benefit the entire U.S. economy. As the U.S. oil import bill soared after the 1973 price increases, the enormous growth in farm exports paid much of the bill. Traditional export industries, such as automobiles, have sagged in international competition. Even high-technology exports, such as commercial jet aircraft, are suffering. In a stagnant economy the productivity and ingenuity of American farmers have helped the U.S. balance its international payments.

Great as are the benefits of this expanded farm trade for the United States, the Soviet Union has even more to gain. One can only imagine the lines at Soviet meat counters were it not for U.S. grain. The USSR is in deep trouble economically because it must import so much food, but it would be in even deeper trouble politically if food were not available.

Both superpowers at times feel uneasy with their new trade dependency because it complicates a traditional adversarial relationship. The food connection does not ensure peaceful relations between the two, but it does make massive arms spending more difficult to justify. It is a reminder that, in the long run, economic forces tend to override political considerations. With another bumper grain harvest likely in 1982, the United States will need Soviet markets more than ever. Indeed, U.S. Secretary of Agriculture John Block, eager to bolster farm income, has implored the Soviets to buy more U.S. grain.

The internal stability of the Soviet Union, as well as that of the Soviet bloc, may depend more on grain imports than on any other external factor. If the Reagan administration is truly serious about putting pressure on the Soviet Union, it should urge a joint embargo with Canada and Australia of all grain shipments to the Soviet Union. This would provide real and immediate economic pressure, but no such effort has been made. On the contrary, President Reagan has promised American farmers that this year the Soviets will receive the biggest shipment of U.S. grain yet.

In the absence of such an effort to press the Soviets, the administration's argument against the Yamal gas pipeline from northern Siberia to Western Europe sounds insincere and unconvincing. In the short run, forgoing the pipeline would deny the Europeans industrial exports and employment, much as a grain embargo would deny American farmers a market. In the long run, failure to build a pipeline would deny West Europeans needed energy and a more diverse supply.

Soviet Grain Imports by Source, 1975-76 to 1982-83

	75-76	76-77	77-78	78-79	79-80	80-81	81-82	82-83*
	(million metric tons)							
U.S.	13.9	7.4	12.5	11.2	15.2	8.0	15.3	17.8
Canada	4.5	1.4	1.9	2.1	3.4	6.8	8.7	10.2
Australia	2.0	.5	.3	.1	4.0	2.9	2.6	2.0
Argentina	1.4	.3	2.7	1.4	5.1	11.2	13.2	11.0
Eur. Com.	.5	.2	.2	.2	.9	1.5	2.5	2.0
Others	3.0	.3	.8	.1	1.8	3.6	2.7	3.0
Total	25.7	10.3	18.4	15.1	30.4	34.0	45.0	46.0

*Preliminary

Source: *U.S. Department of Agriculture*

Arguing against the 3,500-mile pipeline, Reagan notes that U.S. grain sales drain the Soviet Union of hard currency, whereas the pipeline will boost Soviet money supplies. But if the U.S. is unwilling to use grain as an economic weapon against the Soviets (and face the consequences at home), its stand on the pipeline is unfair to Western Europe. Opposition to the pipeline also ignores its eventual advantages for the United States, among which is one for U.S. farmers: Earnings from the pipeline eventually will allow the Soviets to buy more U.S. wheat, feedgrains, and soybeans. If U.S. agriculture seeks foreign markets in the late '80s as eagerly as it does now, the pipeline can be seen as a welcome development.

Key decisions affecting the long-term fate of this new economic relationship between the superpowers are more likely to be made in Moscow than in Washington as the Soviets endeavor to improve their agricultural output. Soviet officials may not yet realize that the agricultural modernization they want is incompatible with centralized planning and management and may attempt to tinker with the system in a desperate attempt to make it work. An inevitable consequence will be declining morale among farm workers as frustration with the inherent defects of the system mount. More broadly, shortages of high-quality foodstuffs, especially livestock products, will lower worker morale throughout Soviet society. Without corrective action, the Soviets face continued food shortages, rationing, and even longer waits at the market.

A Soviet option is to begin economic reforms similar to those undertaken in Hungary, where managers in both industry and agriculture are relatively free of central control and have wide latitude to make independent decisions. No modest adjustment, such as giving private farm plots more support, will arrest the broad-based deterioration of agriculture in the Soviet Union. Only fundamental reforms—perhaps as great as any since the Communist party came to power—will be adequate.

There are signs that the Soviet leadership is looking carefully at the Hungarian experience. Hungarian poultry producers are now aiding their Soviet counterparts, using techniques acquired from the West. Soviet Premier Nikolai Tikhonov visited Hungary to examine the Hungarian successes at first hand and thus gave them a stamp of approval, at least implicitly. But launching Hungarian-type reforms will be difficult in the USSR, given its longer bureaucratic tradition. Those now in power have had no experience of working within a market economy, and farm workers accustomed to taking orders cannot develop overnight the decision-making skills essential to a decentralized agricultural system. As Robert Laird of Columbia University notes, previous Soviet reform efforts "just fizzled out in the soggy mass of Bureaucracy."

OPPORTUNITIES

While unfortunate for the Soviets, the deterioration of their agricultural system does present a timely opportunity to lessen tensions between Washington and Moscow. Conditions within the Soviet Union suggest that the Soviets will respond to U.S. initiatives that would lessen international tensions and permit the Soviets to focus on internal reforms. In his speech on a missile freeze in early 1982, President Brezhnev said: "We have not spent, nor will we spend, a single ruble more for these purposes than is absolutely necessary." As Sovietologist Marshall Goldman notes, Soviet leaders normally omit cost considerations when discussing military matters, and the statement may well reflect a Soviet interest in reordering priorities.

How will the United States use this new advantage most effectively? The use of food as a lever in U.S.-Soviet relations requires an understanding of the limitations of such a process. While a joint grain embargo by the United States, Canada, and Australia could check more radical Soviet military actions, access to the U.S. exportable grain surplus cannot easily be put on the same negotiating table with tanks in Europe and nuclear warheads. For the Soviets it is embarrassing enough to import four times as much grain as did India after its worst monsoon failure. To spotlight this shortcoming by linking it directly to arms reductions would be an unacceptable affront to Soviet national pride.

While reducing tensions is obviously attractive to Moscow, there are significant advantages for Washington as well. In 1982, for the first time in U.S. history, public debt has pushed public borrowing above private borrowing, including that of businesses *and* consumers. Balancing the budget and reducing public borrowing depend on cuts in defense spending—a record $223 billion in fiscal 1982. Defense budget cuts depend in turn on substantial progress in arms reductions negotiations with the Soviet Union.

Every nation in the world has an interest in the reduction of tensions between the superpowers. The Third World has a stake in Soviet reforms that will lead to a reduction in its claims on the world's exportable food supplies. Recent Soviet grain purchases, heavy though they were, have not driven prices skyward as they did in the mid-'70s. But shortages could easily reemerge with the next poor world harvest, as they did in 1972 and 1974, when food shortages drove up the death rate in India, Bangladesh, and the Sahelian zone of Africa.

The Third World also has an economic interest in nuclear disarmament by the superpowers. Anything that reduces the threat of nuclear war benefits the more than hundred countries that depend on U.S. grain exports. In the event of a U.S.-Soviet nuclear exchange, more people may die of starvation in the South than of radiation in the North.

The importance of the dramatic shift in the agricultural balance of power lies less in the potential it provides for using food as a political lever than in its psychological effect on the political relationship between two countries with new commercial ties. The food connection will not automatically usher in a period of East-West cooperation and peace. But if used wisely, it could become the cornerstone on which to build a better competitive relationship. WV