Cabinet Split on Merits of Grain Embargo

Denial of U.S. grain is only one of many factors affecting Soviet supply; food is not as potent a weapon as oil

In his election campaign, Ronald Reagan repeatedly promised to lift the grain embargo imposed by the Carter Administration on the Soviet Union. Now in office, he has been urged, by his Secretary of State and others, not to lift the embargo just as it is beginning to hurt. Others, however, contend that the embargo has been ineffective and hurts American farmers more than Soviet consumers. Reagan clearly faces a difficult foreign policy decision.

Ever since the use of oil as an embargo weapon in 1973, there have been those who have argued that the United States has a similar weapon in the form of food. Even Secretary of Agriculture John R. Block, who has called the grain embargo "the most ridiculous thing I have ever heard of," said last month that "food is the great weapon we have for keeping peace in the world." The United States now accounts for two-thirds of the world's grain exports, which should in theory put it in a powerful position to impose its will on large buyers. Experience with the grain embargo so far indicates, however, that the food weapon is extremely difficult to wield effectively.

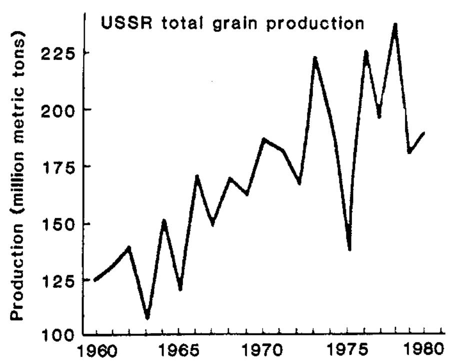
The embargo was imposed by President Carter on 4 January 1980 in retaliation for the Soviet invasion of Afghanistan. He halted the shipment of 17 million tons of American grain that the Soviet Union had ordered to supplement a poor harvest in 1979. In addition, Carter blocked the sale of phosphate fertilizer and limited grain exports in fiscal year 1981 to 8 million tons, a level specified by the 1975 United States–Soviet Grain Agreement.

The move was designed to disrupt the Soviet Union's agricultural economy by shutting off a source of badly needed animal feed. For years, the Soviet government had been trying to boost the production of milk, meat, and eggs, and as long ago as 1965, Party Secretary Leonid Brezhnev announced a plan to make the nation self-sufficient in the production of animal feeds. But the goal has not been met.

Not only is Soviet agriculture notoriously inefficient, but the principal grain-growing regions, unlike those in the United States, are plagued by unstable weather patterns. Grain production consequently fluctuates wildly from year to year, oscillating in the 1970's from a low of 140 million tons in 1975 to a record-breaking 237 million tons in 1978. Until the early 1970's, poor harvests were usually followed by belt tightening and the slaughter of livestock. But in 1972 the Soviet Government decided to make up shortfalls in production by importing massive quantities of grain, and the United States became its leading supplier.

By denying the Soviet Union a major portion of its grain imports in 1980, the Carter Administration intended to cause a shortage of animal feed. This would lead to widespread slaughtering of livestock and seriously disrupt the plans for increasing meat, milk, poultry, and egg production. This action, former Secretary of Agriculture Bob Bergland told the Senate Agriculture Committee, would "serve notice on the Soviet Union that naked aggression against independent, nonaligned countries will not be tolerated by the United States."

So far, however, the embargo has not produced these dire consequences. Estimates by the U.S. Department of Agriculture (USDA) suggest that there has been no widespread slaughtering of livestock and that meat production has declined only slightly. There has, nevertheless, been some retreat from earlier production targets, and the embargo has aggravated problems caused by poor harvests in 1979 and 1980. "The embargo has made a bad situation slightly worse" for the Soviet Union, suggests John Schnittker, an independent commodities analyst who forecasts world food production.



The Soviet Union has managed to blunt the impact of the embargo by turning to alternative suppliers. Indeed, in spite of the embargo, Soviet grain imports in the 1979–80 crop year (July to June) reached a record level, and USDA analysts expect them to climb still higher in 1980–81, even if the embargo is maintained. U.S. grain exports, moreover, also set a record last year. A significant restructuring of the global grain trade has taken place.

When the embargo was imposed, the Carter Administration expected cooperation from most other major grain exporters. Canada, Australia, and the European Economic Community all agreed not to make up the difference. They said they would export to the Soviet Union only at their "normal, historic" levels. Argentina did not agree to participate in the embargo, but said it would keep the United States informed of its export plans. Some of these commitments did not last long.

Because of the Soviet Union's poor 1979 harvest—at 179 million tons, it fell nearly 50 million tons short of the production target—USDA analysts estimated that the U.S.S.R. would need to import at least 37 million tons of grain in the 1979–80 crop year to avoid reducing its livestock herds. It was relying on the United States for about 27 million tons, almost 75 percent of the total. In the end, however, the United States supplied only 15 million tons (because the embargo was imposed halfway through the crop year, a large amount of grain had already been shipped) and Soviet planners were faced with a potentially disastrous shortage.

By scouring the world markets and offering premium prices, they managed to make up about half of the grain embargoed by the United States, and by the end of June their imports reached a total of 31 million tons. The most they had ever imported before in a single year was 26 million tons, following the lean harvest of 1975.

These imports, together with the use of reserve stocks left over from the record 1978 harvest, were sufficient to scrape by with. But Soviet planners desperately needed a good harvest in 1980 to

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overcome the effects of the U.S. embargo in the 1980–81 crop year. The weather did not cooperate, however. A wet spring delayed planting, and heavy rains in the summer destroyed crops in the fields and interrupted harvesting. The final production total was only 189 million tons, 46 million tons below the target. With reserves believed to be exhausted and only 8 million tons coming from the United States, Soviet agriculture seemed to be headed for disaster. By the end of December, however, Soviet importers had secured contracts for the delivery of 30 million tons of grain, and USDA analysts are now forecasting that total imports for the 1980–81 crop year will eventually reach 34.5 million tons. This is believed to be almost as much as their ports can handle.

Argentina has emerged as the leading supplier. In 1979–80, it exported 5.1 million tons of grain to the Soviet Union, and the total this year may reach 10 million tons. Under the lure of high prices, it has directed its trade away from its traditional customers in Latin America, Europe, and Japan and is now exporting most of its surplus crops to the Soviet Union. The United States has picked up some of the business dropped by Argentina.

Canada and Australia have also stepped up grain exports to the Soviet Union. Canada is expected to send 6 million tons this year while Australia will ship about 4 million. Although both countries maintain that their exports are within "normal and historic" levels, these amounts clearly violate the spirit of the agreement reached with the Carter Administration early in 1980. One reason is that grain exporters were annoyed when, in October 1980, the United States concluded an agreement to supply China with 6 to 9 million tons of grain a year over the next 3 years. The move was seen as an attempt to lock up a potentially lucrative market while U.S. allies were being denied the Soviet market.

In addition to these large contracts, Soviet importers have also picked up small amounts of grain from a variety of countries. They have even bought manioc from Thailand to use as cattle feed—a development that, one USDA official suggests, shows how desperately they have been "scrounging the world for grain substitutes." Manioc is not considered a good animal feed.

The Soviet Union has paid a high price for these record imports. According to an estimate by the Defense Intelligence Agency, Soviet grain importers paid a premium of about $1 billion to induce exporters to turn away from their traditional markets. In spite of their success, however, grain imports have not been sufficient to offset completely the effects of poor harvests and inefficiencies in the Soviet agricultural system. According to a study by Anton Malish, an expert on Soviet affairs in USDA, although widespread slaughtering of livestock has so far been avoided, the average weight of cattle and hogs delivered to the slaughterhouses was lower than usual in 1980.

As a result, meat production in the Soviet Union declined from 15.5 million tons in 1979 to 15.1 million in 1980, a drop of less than 3 percent. Milk production also declined by about 3 percent, in spite of record numbers of cows. Meat shortages have occurred in parts of the U.S.S.R. this winter, but that happens every year, with or without an embargo.

Malish argues that the embargo has caused difficulties for Soviet planners and that "the economic impact has been more than trivial." John Schnittker, who says his own figures are consistent with those of USDA, is less enthusiastic. "I just don't understand how we can expect to have a major impact on [the Soviet Union's] political situation with those sorts of effects," he told *Science*.

His view is shared by Walter Falcon, head of food policy studies at Stanford University. "The Soviets have a problem, but it's got virtually nothing to do with the embargo," he argues. Moreover, because the Soviets have managed to diversify sources of grain supply and substitute other animal feeds for American corn, the experience suggests that "there is a very great problem in using food as a weapon."

In spite of the limited effects of the embargo so far, however, President Reagan is faced with a dilemma. During the election campaign he frequently promised to lift the ban—a promise that won him massive voter support in the farm belt—but there are now strong political and economic reasons for maintaining it.

Some observers argue that lifting the embargo now would send the wrong political signal. While there is still a possibility that the Soviet Union may use troops to quell industrial unrest in Poland, the Reagan Administration should maintain whatever leverage the embargo offers, State Department officials have argued in cabinet discussions.

In addition, advocates of the embargo point out that the 1975 U.S.-Soviet Grain Agreement expires in September 1981, and the United States is not committed to supply any grain at all after that date. Another poor harvest this year, coupled with a complete cessation of American exports, would surely create havoc, they argue. In a paper published by the conservative Heritage Foundation, for example, Paige Bryan, a former Commerce Department official, recommends that Reagan should shut off all grain exports to the U.S.S.R. and threaten allies with economic sanctions if they continue to make up the shortfall.

The economic argument for maintaining the ban is less straightforward. Many food experts are now warning that world grain reserves are being seriously depleted. Drought in the U.S. corn belt last year depressed American corn production by 17 percent compared with 1979 and, coupled with poor harvests elsewhere—including the Soviet Union—this has led to a reduction in grain stocks. By the end of June, world stocks are expected to reach their lowest level since the early 1970's, a fact that is prompting concern about world food prospects. "If we have a major shortfall anywhere, then we are going to be in real trouble," asserts Fred Sanderson of the Brookings Institution.

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In view of that possibility, some observers have argued that the Soviet Union should not be allowed to buy large amounts of U.S. grain this year, thereby depressing stocks even further and driving up food prices. Schnittker has calculated, for example, that at most, the United States could supply an additional 2.5 million tons to the Soviet Union without causing a significant inflationary impact at home. Beyond that level, he says, "Reagan would have to decide between the farmers and the consumers."

It should be borne in mind that massive Soviet grain imports in 1972 were largely responsible for driving up food prices in the United States and drying up surplus grain on world markets, just when world food production slumped.

Reagan had promised to lift the embargo as soon as he took office, but now says that a decision will not be made until 17 February at the earliest. It is widely believed that he will decide that the political costs of lifting the ban at this time would outweigh the political damage caused by breaking a campaign pledge.—COLIN NORMAN