Agriculture by Susan B. Cohen

A verdict on the grain embargo

One reason America's allies haven't supported it: the ban handed the multis extra profits.

In a confidential report prepared two weeks ago for the nine ambassadors of its executive commission, the European Community (EC) rudely proved the unreality of Jimmy Carter's January embargo on U.S. grain shipments to the U.S.S.R.

The report, prepared at the insistence of France, showed that since the embargo was announced, the U.S.S.R. imported twice as much grain as last year, and the total amount imported was the greatest since the 1972 U.S.-Soviet grain deal was signed.

Leaked just before U.S.-EC meetings, and accompanied by an announcement that France has resumed sales of barley to the Soviets, the EC document blasted Agriculture Secretary Bergland's claim to enjoy the "support and cooperation of the other exporting nations."

Since the embargo began, Soviet imports from nations other than the United States increased tenfold. Argentina has more than trebled its export of grain to the U.S.S.R., and sales to date indicate a doubling next year; Australia has multiplied its Soviet sales eleven times.

The most painful side of this fiasco has been the refutation of Bergland's brave claim last January that "while we have calculated the impact of the suspension on Americans to be relatively small, we expect that the reverse will be true for the Soviet Union." As soon as the embargo was announced, the price of U.S. grain paid to the farmers began to plummet. In the first week after the Jan. 4 embargo, the price of corn, for example, broke down to $2.23 a bushel from $2.45 a week earlier and, after a short recovery, was at this depressed level again by late March. This result was guaranteed when Carter ordered the embargo on the basis of "national security," which meant that the government would not pay 90 percent parity prices for the crops affected by the cutoff.

If the Soviets haven't been fazed by the embargo, and if the farmers of this country were badly hurt, who benefited?

In a Dec. 10, 1976 internal memorandum entitled "Proposed reply to the request of the Carter-Mondale Transition Group," the North American Grain Exporters Association (NAGEA) insisted that the new administration should have a policy of depressing grain prices. Written by NAGEA director Joseph Halow to top management at the Bunge Corporation, a major grain multinational, the memo states, "Under the circumstances, any increase in U.S. prices not compatible with market realities would serve to make U.S. grains less competitive, with the resultant risk of our building unmanageable stocks in the United States." Remarkably, this 1976 memo says that one of the five pressing issues will be "Treatment of the U.S.S.R. in the exports of U.S. grains." The U.S.S.R. is the only foreign nation mentioned.

The multinational grain companies are similar to oil multinationals in that they are a closely controlled, highly secretive international cartel. Unlike the oil multis, however, the grain companies are not involved in production, and low prices are beneficial to their profit sheets. When charges flew in the first month of the embargo that American grain companies were violating the edict by trading in other markets, the Carter administration covered for them by blaming "foreign" companies—a meaningless concept in this situation.

In March, Agriculture Secretary Bergland admitted that Philipp Brothers, a divison of Engelhart Minerals and Metals Corporation of New Jersey, and Tradigrain of New Orleans, were violating the embargo. The administration took no action against the two U.S.-based companies, who were presumably undercutting "national security."

In June the administration made life even more comfortable for the companies by announcing that "foreign subsidiaries" of the U.S.-based grain merchants could sell "foreign" grain to the Soviets.

Did the grain multis reap unexpected profits from the transshipments required to nominally circumvent the embargo, or worse, was the embargo itself designed as part of an administration arrangement to tighten the cartel's control of world food supplies and to tighten the price structure coyly referred to as "market realities"? Is this why our allies are so willing to violate the nonembargo? And wouldn't this make a very interesting congressional investigation?