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Soviet Grain Production and Trade Prospects - as of 8 July 1975

The continuation of a severe drought centered in the Volga Valley is reducing our estimate of this year's grain crop, but our current estimate is still well above 200 million tons. In other spring grain areas, parts of the eastern New Lands area western Siberia, for example -- near record grain yields are likely because of high moisture levels. Also, we still expect a record winter grain crop because of good to excellent conditions in the European USSR.

The reduced crop prospects boost estimated Soviet import needs to 5-10 million tons of grain for delivery this fiscal year. This amount should cover the potential gap between Soviet grain output and requirements as well as provide the amounts that would have been required even in a record year -- to cover shortfalls in certain types of grains and to save transport costs on grain shipments to Cuba and other client states as well as to the Soviet Far East. Generally good crop conditions throughout the world this year have made prices relatively favorable.

According to current rumors, the Soviets have already purchased about 3 million tons of Canadian and 7 million tons of US grain. These reports apparently originated in London where the Soviets were rumored to have chartered ships

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to haul grain from North American ports. Our most reliable information indicates that the Soviets have chartered ships on the Great Lakes that could haul 1.2 million tons of grain, probably Canadian. As yet, neither the Canadian Wheat Board nor USDA has confirmed any new grain purchases. Commodity market sources in Chicago claim that they have seen no market action that would support large purchases of US grain.

USDA's last estimate of Soviet grain output was 200 million tons but it may be reduced to 195 million tons or below at today's Task Force meeting (scheduled for 3:00 P.M.) The difference between USDA's estimate and ours largely is due to their more pessimistic assessment of winter grains. USDA's last estimate of Soviet grain imports during FY 76 was 5 million tons of wheat and 5 million tons of feedgrain but this will also change when the output estimate is lowered. (Confidential)

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Soviet Grain Production and Trade Prospects as of 9 July 1975

1. No new information affecting Soviet crop prospects has been received.
2. According to the press ticker, London shipping sources have confirmed Soviet chartering of bulk carriers from North American ports which could carry an estimated 5-7 million tons of grain. We have no independent confirmation of these shipping reports.  
ships chartered by the Soviets to carry their large grain purchases in 1972 were for a three-year period, thus expiring shortly.
3. We still have no confirmation of Soviet purchases of US or Canadian grain. The most prevalent rumors are 3 million tons of Canadian and 7 million tons of US grain and/or a three-year deal for 30 million tons of US/Canadian grain.

o The Canadian Wheat Board has refused to confirm or deny the reports except to say that any announcement would originate from Ottawa and Moscow simultaneously.

the Soviets are negotiating largely for the usual annual purchase of several hundred thousand tons of wheat and wheat flour for shipment to Cuba.

o USD } still denies any knowledge of grain sales to the USSR by US firms but acknowledges that up to 5 million tons of corn and 5 million tons of wheat would be acceptable to the US Government.

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Soviet Grain Production and Trade Prospects - as of 10 July 1975

1. Continuing drought in the southern Ukraine has damaged the corn crop, possibly boosting Soviet demand for feedgrain imports.

2. The exact amount of Soviet charter fixtures is still not known. So far, all those confirmed have been for the Great Lakes, which could haul either Canadian or US grain.

3. The press ticker today has focused on:

① the Earl Butz statement yesterday that reports of an impending grain deal with the Soviets "may be more than rumors," and

② Senator Henry Jackson's speech prepared for delivery in the Senate today that US grain exporters have admitted to his committee staff negotiations with the Soviets for "several million tons of grain". Jackson added that no major sales have been made to date, confirmed by USDA.

    ) confirms negotiations underway and believes that the sales will amount to at least 5 million tons of grain (reiterate ) that sales of 5 million tons of wheat and 5 million tons of corn would be acceptable to the US Government but that if the corn crop is estimated to exceed 6.1 billion bushels (USDA's current forecast is 6.05 billion) this limit could be raised.

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11 July 1975

MEMORANDUM

Soviet Grain Production and Trade Prospects  
as of 12 July 75

1. The Soviet drought worsened and spread in late June and early July, reducing our estimate of this year's grain crop to 200 million tons.

2. A ~~company~~ claims that one grain company has concluded their negotiations in Moscow and has sold 4.5 million tons of corn and 1 million tons of barley. Two other grain companies will begin talks in Moscow on Monday.

Butz still says that sales of "up to 10 million tons of grain" would be acceptable to the USG and that this would have only a "minimal impact on bread prices."

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11 July 1975

MEMORANDUM

Soviet Grain Production and Trade Prospects  
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2. A                      claims that one grain company has concluded their negotiations in Moscow and has sold 4.5 million tons of corn and 1 million tons of barley. Two other grain companies will begin talks in Moscow on Monday. USDA will not divulge the names of the companies and claims that no contracts have been reported to them as yet. Butz still says that sales of "up to 10 million tons of grain" would be acceptable to the USG and that this would have only a "minimal impact on bread prices."

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