

South Dakota State University  
**Open PRAIRIE: Open Public Research Access Institutional  
Repository and Information Exchange**

---

Economics Commentator

Economics


---

1-29-1976

## The Russian Grain Purchase Agreement

Arthur B. Sogn  
*South Dakota State University*

Follow this and additional works at: [http://openprairie.sdstate.edu/econ\\_comm](http://openprairie.sdstate.edu/econ_comm)

 Part of the [Agricultural and Resource Economics Commons](#), and the [Regional Economics Commons](#)

---

### Recommended Citation

Sogn, Arthur B., "The Russian Grain Purchase Agreement" (1976). *Economics Commentator*. Paper 84.  
[http://openprairie.sdstate.edu/econ\\_comm/84](http://openprairie.sdstate.edu/econ_comm/84)

This Newsletter is brought to you for free and open access by the Economics at Open PRAIRIE: Open Public Research Access Institutional Repository and Information Exchange. It has been accepted for inclusion in Economics Commentator by an authorized administrator of Open PRAIRIE: Open Public Research Access Institutional Repository and Information Exchange. For more information, please contact [michael.biondo@sdstate.edu](mailto:michael.biondo@sdstate.edu).



# Economics Newsletter

Editor:  
Robert J. Antonides  
Extension Economist

Economics Department

• South Dakota State University

• Brookings 57006

• (605) 688-4141

No. 85

January 29, 1976

## THE RUSSIAN GRAIN PURCHASE AGREEMENT

### WHAT ARE THE CONDITIONS?

There is considerable news space given to the U.S.-Russian grain purchase agreement, and yet there is very little real knowledge of what the agreement entails. There is even less knowledge as to why we should make an agreement with the Russians at a time we seemed to be in the driver's seat with most of the available grain supply.

First, let us look at one of the major reasons the U.S. officials were interested in a long term agreement to ship grain to Russia. Russia has been buying grain from us for several years, and would have most likely continued to do so. However, the inconsistency of her buying and not buying was sending our prices up and down like a yo-yo. Recent Russian purchases are shown in Figure 1.

FIGURE 1

Purchases of Feed Grains and Wheat  
by the Soviet Union

Years	Feed Grains	Wheat	Total
1971-72	2.8	0.0	2.8
1972-73	4.2	9.5	13.7
1973-74	3.4	2.7	6.1
1974-75	.8	1.0	1.8
1975-76 (to date)			
appx.	7.0	4.5	13.5

Note in Figure 1 the Russian purchases of grain increased from 2.8 mil-

lion metric tons in 1971-72 to 13.7 in 1972-73, then back to only 1.8 million metric tons in 1974-75. The inconsistency caused wild gyrations in our market prices. It is believed the grain agreement will make for more stable prices.

Article I of the agreement specifies that the agreement is (1) to begin October 1, 1976, (2) that the USSR shall purchase from private sources 6 MMT of wheat and corn in approximately equal proportions each year, (3) the USSR may buy two additional MMT in any year, unless USA has a grain supply of less than 225 MMT, and (4) purchases to be made at market price at time of purchase in accordance with normal commercial terms.

Article II states the USA will not, except as agreed by both parties, control exports of wheat and corn purchased in accordance with Article I. (In my opinion this means no embargo.)

Article III states the Russians agree to space their purchases as evenly as possible over each 12 month period.

Article IV states the USSR assures that, except as the parties may agree, all the wheat and corn purchased shall be for consumption in the USSR.

Article V states in any year of the agreement, that USA crop estimates fall below 225 MMT for all grains, the USA may reduce wheat and corn shipments to the USSR.

Article VI leaves the way open for

both parties to negotiate for more grain than specified in Article I.

Article VII says the grain will be shipped as per the agreement. The Maritime Agreement as of now, and supposedly in effect until December 31, 1981 (unless cancelled by either nation on 90 days notice) has the following items. The USA and the USSR will both haul one-third of the grain with the other one-third available to third flag vessels. The USA rate will be \$16.00 a ton. (The free market rates are presently about \$9.50 a ton.)

Article VIII states the parties shall hold consultations each 6 months of the agreement or at the request of either party.

Article IX states the agreement shall remain in force until September 30, 1981.

The agreement with the Russians is perhaps not as dramatic as the news would have one believe. It would most likely call for less than 3 percent of

our average annual production. The limits placed on the agreement should enable us to take care of our largest and traditional customers such as the EEC countries and Japan.

How binding is the agreement? It is about as binding as anything done in international trade. However, in most international agreements they are as good as the integrity of the parties making them. Both the USA and USSR have been known to break agreements. If one of the parties should renege on the agreement about the only recourse for the other party would be to accept it, or use force.

There can not be a perfect international agreement. The USA-USSR pact is a good agreement and is advantageous to both parties. It is important to USA farmers who must find a market outside the country for about 60 percent of the wheat, 50 percent of the soybeans, and 25 percent of the corn raised. However, the agreement covers wheat and corn purchases only. All other commodities can be negotiated for as usual.

Arthur B. Sogn, Extension Economist--Grain Marketing

AGRI-BUSINESS DAY, TUESDAY APRIL 6

(3300 printed at an estimated cost of 1¢ each for educational purposes.)

Educational programs and materials are offered to all people without regard to race, color, religion, sex or national origin.

Cooperative Extension Service  
U. S. Department of Agriculture  
South Dakota State University  
Brookings, South Dakota 57006

OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE \$300

**AN EQUAL OPPORTUNITY EMPLOYER**

Postage and Fees Paid  
U. S. Department of  
Agriculture  
AGR 101



Third class mail  
(Bulk Mail)

**Economics Newsletter**