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NATIONAL SECURITY IMPLICATIONS OF SOVIET AND AMERICAN AGRICULTURAL PRODUCTS

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It will probably take a crisis to awaken Americans to what is happening to the nation's food supply. The U.S. should be paying attention not only to the food supply but also to what is happening to U.S. strategic resources. What the United States seems to be doing is dismantling and exporting its industry in the area of minerals and other resources. The same thing is true of U.S. agribusiness. Right now, the news media is predicting that the farm credit system in this country is near collapse. It was reported that it will probably require 5 to 15 billion dollars to bail out the farm credit system. This report comes at a time when the Reagan administration is diligently trying to hold down government spending. The U.S. federal deficit exceeds 200 billion dollars and to ask the U.S. Treasury for another 6, 8, 10, maybe 15 billion dollars for the farm credit system is going to be a severe shock to Congress and the administration.

The situation in Oklahoma is severe. In the Enid District of the Federal Land Bank, which includes the counties of Garfield, Major, Grant, and Alfalfa, there are more than a hundred farm foreclosures in progress. In one small area of the state, one hundred family farmers are being pushed out. Similar conditions exist all across the farm belt. It is probably worse in the Omaha District of the farm credit system, but probably not quite as bad in the Southeast. It is, however, a serious problem across the country.

In addition to the farm credit system, the rural banking system has also been badly shaken. Americans will see more and more land placed on the market with fewer people able to buy. With less and less credit available, the situation will develop a domino effect. At the same time, the agribusiness sector of the United States' food system is being devastated. For example, International Harvester, probably the oldest farm machinery company in the country, is out of business. In addition, Allis Chalmers has been taken over by a German firm.

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The fertilizer business is also in financial peril. A great deal of phosphate is mined in Florida. The mines are being depleted, and within ten to fifteen years most will be abandoned. Once, the plans were to open new mines in North Carolina and have them in production as the older mines become depleted. The problem is that for five consecutive years companies have suffered losses in the fertilizer business. There is no way to project a reasonable return from such an investment. Very few reasons exist to continue investing in a business that seems to be on a perpetual toboggan.

Food production belongs high on the list of strategic resources. It should be considered as important as the United States and Soviet Union arms relationship.

In this country food abundance has always been taken for granted. Despite our current excess production capacity, that may not be true much longer. The U.S. had a brief period of near scarcity in the early 1970s after the Soviet Union bought all U.S. surplus grain. During the period after World War II, our farm program was used as an incentive to encourage production. During the war, the U.S. government installed high support prices in an attempt to get farmers to produce maximum yields because our Allies needed the food. After the war, much of the world's agricultural producing land was devastated, so it was necessary for the U.S. to put forth the maximum effort to feed Europe, Japan, and the USSR. Thus, a program of incentives was developed to get producers to grow food. The incentive program became politically popular. Consequently, it was difficult for politicians to reduce those support levels and bring prices down to realistic levels. The result was that by the 1960s or late 1950s the U.S. had accumulated a large surplus of many commodities. Some commodities, like potatoes and eggs, were perishable and had to be destroyed. Others, like grain, were stored.

By the early 1970s the U.S. government was still holding about 1 billion, 200 million bushels of unwanted grain. In that period the Soviet Union had serious crop failures. The Soviets made the decision that, rather than follow their past pattern of lowering protein in the diet and reducing the amount of grain fed to animals, they would buy U.S. grain. The Soviets did not inform the United States of this decision. They simply sent over a team of grain buyers. The buyers went to different cities and contacted different private grain traders. The Soviets dealt privately and secretly, and it was not until all transactions were concluded and about a billion bushels of U.S. grain was purchased that the U.S., the world, and the grain business realized what had taken place.

After American companies sold the Soviets the billion bushels of grain, it was necessary for them to buy the grain, which they tried to do quietly. If anyone had known that the transactions had taken place, the price would have shot up. As it was, they were able to get their trades covered before the markets reacted. What followed was a rapid escalation in grain prices. In certain areas wheat prices doubled within a few months. The final result was sharp inflation and some scarcity of food. This caused a political panic in Washington. President Nixon was forced by political considerations to em-

bargo grain exports in 1973 or 1974. He chose to cut off the export of grain, not only to the Soviet Union, but also to all foreign customers. This created a particular problem in Japan.

Japan was trading with the U.S. because we were a reliable food supplier and because of a large trade imbalance in its favor. The Japanese were trying to reduce the imbalance by buying American farm products. In Japan soybeans are part of the human diet. They are eaten as a source of protein. The price of a soybean curd patty at that time was about 35 cents. When the U.S. shut off soybean exports to Japan, the price went from 35 cents to one dollar and 50 cents. This created considerable political unrest in Japan. Japanese politicians were angry because they felt the U.S. was keeping soybeans to feed pigs, and they were going to have to deny food to their people. That is not a palatable political choice. In a case like this, their people lose. Japan made the decision never again to be so dependent on the U.S. for foodstuffs. The U.S. destroyed its reputation as a dependable food supplier and a reliable food source. The result was that Japan and other countries began to develop alternative sources of food, particularly in Brazil.

The Soviet grain sale has had a tremendous long-range impact^c on U.S. agriculture. Primarily, it triggered higher grain prices, higher values for land, higher costs for machinery, and the rapid expansion of food production. I recall Earl Butz, who was then Secretary of Agriculture, telling me that since there was a food shortage, he had decided to bring into production 55 million acres of idle land that had been set aside by various farm commodity programs. The message to farmers was "Plant, fence row to fence row." I also remember Senator Bob Dole, of Kansas, saying that Kansas farmers were going to have a big problem that year because they would not be able to get their wheat to market. The farmers had even planted the roads in wheat! He was kidding, but it was almost that bad.

Farmers plowed up grassland. They brought all their land into production because attractive economic incentives existed. This produced shortages of chemicals, fertilizers, tractors, and combines. When a country suddenly expands production to that extent, there are dislocation problems. In addition, the aggressive farm operators, especially the younger ones, took on huge debts to expand their operations and become more efficient. They bought new and better equipment. Many of these people are now out of business. They did not go quietly, however.

After the sale to the Soviets, Senator Talmadge, who was chairman of the Senate Agriculture Committee, sent Hubert Humphrey and me to Moscow to review what had happened. In the Soviet Union, Hubert Humphrey was well known and quite popular. He had been there as Vice-President when Khrushchev was leader of the Soviet Union. Hubert Humphrey was able to open many doors in the Soviet Union, and we were able to talk to anyone who could make a contribution to our understanding of Soviet policy. We talked to many Soviet cabinet officers. We talked to the head of the National Academy of Science, and we went to the universities to talk to research people. We talked to the shipping people, the finance people, and the Minister

of Agriculture. The general reaction was this: You Americans had a billion bushels of grain that you did not need. It was surplus; you were paying storage on it; you were trying to get rid of it. We needed it. We played by your rules. You did not expect us to buy an ad in the *Wall Street Journal* and announce that we were going to buy a billion bushels of grain, did you? We may be Communists, but we are not fools. We sent our people over there quietly. They bought on your terms from your grain salesmen and we think you should be thankful for what we did, rather than criticizing our purchase. They then talked to us about their idea that this should be the first of a continuing trade relationship in food.

The Soviet's other message was that the U.S. and the Soviet Union are natural trading partners. At that time, the Soviet Union was interested in the U.S. investing 8 billion dollars in building a gas pipeline and gathering a compression system to bring the gas from the northern regions in Siberia to Murmansk, where it would be liquified and shipped to markets around the world. Of course, Hubert Humphrey did not have 8 billion dollars, but the Soviets felt that the U.S. needed the gas and that the Soviet Union should supply the gas. The Soviets told us that they would like to work out a lasting trade relationship where they would furnish the United States access to their abundant natural resources, including strategic minerals. In return, the Soviet Union wanted access to U.S. food and technology. Those are the two things the Soviet Union realized it was going to need and the two areas in which it felt the U.S. and Soviet Union could work out lasting trade relationships.

Another experience in the Soviet Union relating to this same subject concerns Senator Abe Ribicoff of Connecticut. In 1978, Ribicoff led a delegation to the Soviet Union. Ribicoff's family had lived in an area of Poland that later became a part of the Soviet Union. The delegation went to the Soviet Union for a meeting with their so-called parliamentarians. The Soviet Union has an institution called the Supreme Soviet, which is a facade that passes as a parliament. Members consider themselves parliamentarians.

The meetings lasted about six hours a day and continued for five days. They were shouting matches. The same refrains came up over and over again; the USSR does not want a war, and we should be friends; the USSR is a peace-loving nation. The U.S. delegation was made up of capable debaters. Sam Nunn of Georgia, for example, has considerable knowledge of military operations. John Glenn was there and he knows rocketry. When our people seemed to prevail in the discussion, the Soviet civilians would turn to the military for answers. We could not escape the conclusion that in the Soviet Union, the military is the final authority. The civilians seemed dependent upon the military for decisions. If this is true, one might conclude that the military is probably not going to allow the Soviet Union to become heavily dependent on the U.S. for food. The Soviet Union will want to purchase food when it can get it at a bargain. It is doubtful, however, that the Soviets would become dependent on the United States as Japan did prior to the embargo.

Right now the world is awash with grain. For example, China was a food importer five years ago. During the last five years, however, it has increased food production by 52 percent. It is astonishing that a nation as large as China

with a population of more than 1 billion is able to increase its food supply 10 percent a year for five consecutive years. China is now a grain exporter. Also, India, historically short of food, is now exporting grain. The Common Market countries, particularly Germany and France, are large grain exporters. They are subsidizing their exports to take away U.S. markets. The traditional exporting countries, such as Canada, Brazil, Argentina, Australia, Turkey, and Thailand, all have grain to sell. So, the Soviets do not necessarily need grain from the U.S. The Soviet Union can get it from wherever it wants, but it will buy in the United States when it can get grain at a better deal than it can elsewhere.

Americans should remember when talking about strategic materials that food is basically a renewable resource. This is, however, not totally true. Nutrients, such as nitrogen, phosphates, and potash, must be placed back in the soil. Luckily for the U.S., our country has an abundance of these plant foods. The problem is whether these materials are economic to produce.

In conclusion, one should not worry about food trade between the Soviet Union and the United States as far as impact on defense or upon the strategic relationship, as long as Americans keep a few things in mind. First, the U.S. needs to insist that the USSR pay for what it gets. As long as the United States is draining the Soviets' resources to buy food, it creates no problem for American strategic balance. It would be a problem, however, if the U.S. were lending the Soviets money. I would strongly object to any arrangement that allowed the Soviets to buy food under an eat now, pay later plan. The United States must insist that the Soviets pay cash for the food it buys.

Second, the U.S. should be a reliable source of food. There is no way the U.S. can bludgeon the Soviet Union by export embargos. President Carter discovered this when he cut off U.S. wheat sales. He did great damage to the U.S. grain producers, but he did not cause the Soviets to go hungry. The Soviets simply went to Canada, Australia, and elsewhere to get everything they needed. The U.S. should learn that the Soviet Union, for all of its problems and all of its shortcomings, is hungry for recognition as the world power it has become. It does not accept the notion that the United States is going to slap it on the wrist. The Soviets consider that to be an insult and will react like most people do when insulted.

In summary, with grain supplies abundant worldwide, little significant negative national security implications exist with the U.S. and Soviet Union agricultural trade, as long as the U.S. is paid in cash. American traders, which are private grain companies dealing with the Soviet buyers, should be free to sell whatever they can, provided they get paid. There are, however, serious potential national security implications for the nation's food supply because of current domestic economic policies. The high rate of interest is harming American agriculture. The strong dollar makes it difficult for the U.S. to compete for grain sales abroad. Trade restraints have destroyed the United States' reputation as a reliable source of food. If this continues without correction, U.S. agribusiness may ultimately be decimated to the point that the U.S. would be a food-short nation. This would not be because of the Soviets, but because of America's own short-sightedness.

