TRADE

Campaign Fodder

Scarcely two months ago, the Nixon Administration proudly announced an agreement under which the U.S. would sell at least $750 million worth of American wheat, corn and other grains to the Soviet Union in the next three years. The deal, described as the biggest grain transaction between two nations in history, was hailed by U.S. Secretary of Agriculture Earl Butz as "a major advance for American agriculture." Last week the agreement was well on its way to becoming a major Democratic campaign issue—especially in the farm states—and Administration officials had ample reason to eat their words.

Throughout several weeks of negotiations, the Administration had worked eagerly for the agreement as a boon to the nation's perennial balance of payments problem and as a further step toward improving relations with the Soviet Union. Accordingly, the U.S. promised to sell wheat to the Soviet Union at the prevailing world price of $1.63-$1.65 per bushel—and to subsidize all sales at that level if the domestic price of wheat rose. This involved a U.S. agreement to subsidize the wheat purchased by American grain export firms—mainly six large companies—at the $1.63-$1.65 level. To make the deal even sweeter, the U.S. gave the Russians a $750 million line of credit for three years at 6⅛%.

The Russians were also anxious for the agreement; they are currently suffering their worst farm crisis in a decade. But the U.S. apparently did not realize when it made the deal how deeply the Soviets were hurting. As a starter, the Russians promised to buy at least $200 million worth of U.S. grain this year. But by the end of August, they had already spent almost $1 billion. This was possible because the U.S. had neglected to specify the amounts of each type of grain to be sold, perhaps naively expecting the Russians to concentrate mainly on corn, of which the U.S. has substantial surpluses. Instead Russia started buying wheat with a gusto that took away the breath of the most hardened commodities trader. Inevitably, wheat prices shot upward—and the Administration got caught. In mid-July it had been paying a 3¢ subsidy on every bushel of wheat the Russians bought. By July 26 the subsidy was up to 14¢, and two weeks ago it shot to as high as 47¢.

Caught Short. Alarmed, the Administration finally called a halt late last month. It decided to stop supporting the current world price—which it maintains by making subsidy payments to domestic exporters of U.S. wheat—and henceforth to let the world price float upward to the $1.80-$1.82 level. Among those who were hurt by the policy change were the Japanese, the largest foreign buyers of U.S. grain, who were caught short and must now buy U.S. wheat for about 17¢ per bushel more than the Russians paid. Of course the Russians must also pay the new price, except that they may not have to at this point, since they wisely did their shopping early. Some U.S. authorities suspected that the Russians had known what a good deal they were getting and bought enough wheat to replenish their stockpile. Moaned one Agriculture Department expert: "They can sell the same wheat back to us at a profit."

Administration officials were considerably more concerned, however,

U.S. WHEAT BEING UNLOADED IN SOVIET PORT OF ODESSA

BOB BRIGHAM—LIFE

about the domestic political aspects of the issue. Wheat farmers—some of whom had sold their crops earlier in the year at a far lower price on the advice of Agriculture Department service bulletins—were hopping mad. So were baking companies, which complained about the rising cost of flour and were refused a request for a bread price increase by the Cost of Living Council.

Another aspect of the case centered on the curious relationship between the Nixon Administration's Agriculture Department and the grain industry. Clifford Hardin quit as Secretary of Agriculture last November to become vice chairman of Ralston Purina Co., and was replaced in the Nixon Cabinet by Earl Butz, a Ralston Purina director. More to the point, the U.S. official who was chiefly responsible for the preliminary grain negotiations with the Russians last April, Assistant Agriculture Secretary Clarence Palmby, resigned in June to become a vice president of Continental Grain Co., one of the companies directly affected by the Soviet deal. Three weeks later, a second official involved in the negotiations, Commodity Credit Corp. Vice President Clifford Pulvermacher, also quit his federal job and joined the Bunge Corp., one of the largest U.S. wheat traders abroad.

Bread Tax. Palmby, who received a fat pay increase over his $38,000-a-year Government salary when he went to work for Continental Grain, denied conflict-of-interest charges and insisted that neither he nor anyone else could possibly have known that the Soviet Union needed so much wheat this year. "I try to stay on pretty good terms with my Creator," he said, "but He just didn't inform me of what crop conditions were over there."

Nonetheless, U.S. Representative Benjamin Rosenthal, a New York Democrat, demanded an investigation of Palmby and Pulvermacher and their roles in the trade talks. At the very least, said Rosenthal, "an appearance of unlawfulness has been created." To another Democratic Congressman, Charles Vanik of Ohio, the agreement itself was the key issue. "The American people," he declared, "are in effect paying a Russian bread tax." Vanik claimed the deal with the Soviets will eventually cost the U.S. public $1.5 billion in wheat subsidies and land bank price supports. "So it's a billion dollar sale," he charged, "for a billion and a half in subsidies."

At week's end Democratic Presidential Nominee George McGovern joined the chorus, charging the Administration with aiding grain exporters who used "inside information to exploit unsuspecting farmers." Secretary Butz angrily denied the charges and accused McGovern of impugning the "integrity and credibility" of himself and the President. "Some money was made in this deal," said Butz. "Let's face the fact. And for Senator McGovern to see something sinful in making a profit is not in the American tradition."

LABOR

Plight of Lettuce Eaters

At the Democratic National Convention in July, the phrase "boycott lettuce" became almost a password. It fell fervently from the lips of any number of heads of delegations, and it was finally consummated as a cause when Ted Kennedy, at the peak of convention excitement, began his speech: "Greetings, fellow lettuce boycotters!"

The idea was to spark a boycott of iceberg lettuce—the kind that looks like a head of cabbage—in support of Cesar Chavez's two-year-old strike against growers in California. Chavez, grateful for the Democratic boost, believes that the boycott is beginning to take hold and in fact is doing as well as the grape boycott did at a comparable time in its history. But the evidence is not so reassuring. For a while after the conven-

UNITED FARM WORKERS STRIKING AGAINST LET[illegible]
Too humble a household staple to becom[illegible]

tion, many sympathizers gave up lettuce. The growers were shipping only 300,000 cartons a day out of Salinas Valley instead of the normal 400,000.

In time, however, passions were spent, appetites increased and people started munching the greenery again. The wilting lettuce cause pointed up a dilemma larger than lettuce: in the current climate, it is hard to turn a labor issue into a liberal cause. Labor is in bad odor with liberals these days, and even a Chavez suffers from the apathy.

After a five-year battle supported by sympathetic liberals round the country, Chavez in 1970 won a stunning victory over the grape growers, who were forced to recognize his United Farm Workers Union. From there, Chavez looked for new fields of crops to conquer. He chose lettuce. At once, the panicky growers signed up with the Teamsters Union, hoping that it would