



U.S. Food Power: Ultimate Weapon in World Politics*

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Earl L. Butz, the peripatetic Secretary of Agriculture, just back from a tour of eight countries, tells a story to show how America is waking up to the use of its food power as a diplomatic tool. "When I visit a foreign capital," Butz says, "the reaction of the U.S. ambassador there is likely to be, 'I wonder how long I'll have to put up with this agriculture cluck.'" that is, Butz explains, until the ambassador sees presidents and premiers perking up at the chance of talking with an influential U.S. food official. Then, says Butz, the reaction turns to "Gee, this guy can open doors for me."

The deployment of American food power is the focus of a serious policy debate now under way in Washington. Nearly everyone agrees that in a world of hunger and overpopulation, the U.S. can apply its tremendous agricultural capacity as a lever of foreign countries to adopt as a lever on foreign countries to adopt policies beneficial to this nation. "We have the food, and the hell with the rest of the world," snaps one high-level State Dept. official.

The controversial question is how much to exploit food power to advance U.S. national interests. Some government officials question the merits of an aggressive policy on the grounds of both morality and efficacy.

Recent world trends in grain stocks underscore the extent of the nation's food power. While supplies outside the U.S. are steadily declining -- the current total is about 69 million tons -- U.S. grain stocks are rising sharply; they now amount to more than 31 million tons and are approaching half the world's supply.

Even as the policy debate goes on, the Ford Administration is slowly, even awkwardly, starting to wield food power in the diplomatic arena. For the first time, the U.S. has established a national grains export policy. In place of the free rein allowed commercial grain exporters in the past, Washington has shown itself ready to set up precise quid pro quo conditions for delivering American food.

The new policy was employed in the Russian grain agreement negotiated recently in Moscow. For the Russians, the price was to stop disruptive, inflationary raids on the U.S. grain market. they were also asked to ante up some oil on favorable terms, which have yet to be spelled out. And there is strong evidence that, as another condition for the grain sale, the Russians were persuaded to keep their hands off during Secretary of State Henry A. Kissinger's negotiations on the Egyptian-Israeli accord.

Food power discreetly figures in the multilateral trade negotiations getting under way in Geneva, aimed at reducing tariffs. U.S. officials privately concede that it will be exploited to try to reduce trade barriers in countries that buy large quantities of food here. Japan is an obvious case in point.

Japan and Poland both typify how eager foreign countries are to nail down U.S. grain supplies. Both have informal purchase agreements, but says one State Dept. official, "they now want something formal like the Russians have." As in the Russian case, both would have to commit themselves at least to buying fixed volumes of U.S. grain in orderly fashion. In fact, says a top-level Agriculture Dept. official, "The word here is that any country that wants to buy substantially more than its normal amounts of grain will be faced with a Russian-type situation." In Poland's case, Washington would use

food power to help loosen that country's economic links to the Soviet bloc.

Ever since the Arab oil-producing nations began to wield petroleum as a geopolitical tool in 1973, the world has recognized that the U.S. has a comparable weapon in food, since much of the world nourishes itself on U.S. grains.

But there are crucial distinctions between food power and petropower. The most obvious is the moral consideration. "Can you imagine the repercussions of the U.S. trying to play God with food?" asks a White House official. Beyond that are practical limitations that do not apply to oil.

Moral questions

Industrial nations dependent on imported oil are highly vulnerable to a cutoff of supplies. While they can dispense with some discretionary uses in an emergency, they need a certain amount to run their plants and basic transportation. The threat of an embargo, shutting down national economies, is a potent weapon that can be used as a bludgeon.

Not so in the case of a food embargo. People in developed countries, ranging from well fed to overfed, can always pull in their belts a few notches if necessary. In developing countries, where people are on subsistence diets or less, the U.S. ability to apply political pressure with the overt or implicit threat to withhold food supplies is even more limited. Such action would probably be counterproductive, since the nation would be severely condemned on moral grounds.

Moreover, curtailing food sales for foreign policy reasons would have an immediate and adverse impact on several million U.S. farmers who have considerable political clout. In short, the U.S. has less room for maneuver -- economically and politically -- in wielding food power than the oil producers have with petropower.

Despite these limitations, U.S. food power does exist. It is just one of several kinds of economic power that the nation possesses -- financial resources, technology, managerial knowhow, and the bargaining strength in trade relations that comes from having the world's biggest domestic market.

There is a growing consensus that the U.S. should be as tough in using food power to achieve national objectives as it is in employing its other economic capabilities. But food stirs up strong emotions because it is associated with the most primary human need. So there is also a growing realization that food power must be handled with particular skill and sensitivity.

American food power grows out of an incredible capacity for agricultural production at a time when rising population and affluence are increasing global demand for more and better food. Butz describes this capacity floridly: "the U.S. has the largest contiguous land mass of fertile soil, good growing climate, and adequate rainfall of any place on earth." After they finish feeding their own countrymen, American farmers have left over for export nearly 60% of their wheat and rice, nearly half of their soybeans, one-fourth of their grain sorghum, and more than one-fifth of their corn.

What Russian needs

The U.S. already provides nearly three-fourths of the world's net grain exports. In a recent report on world population and food production, the Central Intelligence Agency predicts: "Over the next several decades, the world's increasing dependence on U.S. surpluses portends an increase in U.S. power and influence, especially vis-a-vis the

food-deficit poor countries. Indeed, in times of shortage, the U.S. will face difficult choices about how to allocate its surplus between affluent purchasers and the hungry world."

Few nations are so fortunate, and the Soviet Union is a significant example. While most of the best growing land in the U.S. lies south of the 45th parallel, most of the Soviet Union's lies above it. As Reid Bryson, a University of Wisconsin climatologist, describes it: "The best land in Russia has a climate something like north Dakota -- and from there on it gets worse." In the eastern virgin lands, weather, rainfall, and yields are uncertain. This year the Agriculture Dept. has been scaling down its estimate of total Soviet grain production from an initial 215 million tons to perhaps 160 million tons or less. As a minimum, the Soviets need about 210 million tons of grain.

The deplorable grain crop confronted Soviet leaders with a tough political decision. Several years ago they committed themselves to feeding more livestock in order to put more meat in the Soviet diet. Would they now disappoint consumer aspirations and slaughter their herds, or would they buy feed on the world market -- most of it from the U.S.? The answer was "buy," and this summer the Soviets began chartering ships for what could be the biggest movement of grain in world history.

Japan is another nation with food problems. With nearly every square foot of its islands under cultivation, it depends on food imports, particularly U.S. soybeans and feed grains. Like the Russians, the Japanese are eating more beef. And when the Soviets began buying up U.S. grain this summer, the Japanese wondered if they would be left out. "You could see the shock waves coming through," says a U.S. diplomat who was conducting food talks in Tokyo at the time. The Japanese were reassured with an informal agreement promising them 14 million tons of grain a year for three years.

The gain deal negotiated in Moscow by Under Secretary of State Charles W. Robinson was a beginning in the new, calculated use of U.S. food power to achieve specific goals. For a decade, the Soviets have been upsetting the world grain trade with sporadic, sometimes secretive purchases. The 19 million tons they bought here in 1972 triggered a 14% increase in food prices over the next two years. When massive Soviet purchases were resumed this past summer, labor unions and consumers began protesting. The Ford Administration decided to nail down the Russian business, but on regulated terms: a commitment from Russia to buy 6 million tons of U.S. wheat and corn a year for five years starting on Oct. 1, 1976 -- plus more if the Soviets need it and U.S. production will allow it -- but all on an orderly basis.

To the surprise of many, the Administration tied the grain deal to oil. The Robinson agreement includes a letter of intent under which the Soviet Union may supply the U.S. with 64 million bbl. of oil a year -- a mere trickle, but in the words of a White House aide, "a diversification of the sources of U.S. oil imports."

The Soviet oil shipments could rise eventually to 192 million or 256 million bbl. annually, one State Dept. official conjectures, at a price "below the competition," meaning below the price established by the Organization of Petroleum Exporting Countries. Creating even a fissure in the OPEC price front would be a coup for the Administration, but as yet not a drop of Soviet oil has been agreed upon formally.

The Robinson grain-oil agreement has come under fire. Traditionally Republican midwestern farmers are furious at President Ford for tampering with the international grain trade and for essentially stabilizing prices. Says Charles Drew, a Garden City (Kan.) wheat farmer: "We think the government is trying to manipulate the price of wheat because of political pressures from [AFL-CIO President] George Meany and the consumers." An Administration official explains how things have changed: "The

Agriculture Dept. has a constituency of farmers, and it ran the grain export policy in a way to support that constituency. It was necessary to use [grain exports] in the national interest. This matter can no longer be left up to the Agriculture dept."

The latest Russian agreement is also being questioned by skeptics who doubt whether Moscow would overtly undercut OPEC's oil price. The likeliest device, according to Washington sources, would be concealing a discount in some favorable shipping arrangement. skeptics also worry that the Soviets, with their hangup on secrecy, will not provide the crop forecast data Washington needs to formulate a rational grains policy.

The Administration's position

In a world of growing scarcity, it remains to be seen how far the U.S. will go in linking food resources with industrial commodity needs. Many links could be established. In the case of 21 important minerals, the U.S. is 60% to 100% dependent on foreign suppliers - some of which are large importers of U.S. food. India, for example, is a major supplier of titanium, the Soviet Union of chromium. In oil the U.S. would have little leverage; the only major producer that buys much food here is Iran.

President Ford is clearly a believer in food power. He told the Russians the price for grain was market stability and possibly some oil. And although Kissinger laid out a grand plan for food cooperation rather than confrontation at the U.N. food conference in Rome last year, one of his deputies stresses: "He sees the power our food position gives him."

As the negotiator of the Soviet grain deal, Robinson, who was formerly president of Marcona corp., a San Francisco-based mining and transportation company, is one of the most obvious food power advocates. Thomas O. Enders, Assistant Secretary of State for economic and business affairs, is one of the most prominent skeptics. He believes that food power will not work short of a state grain monopoly, export controls, or membership in an international food cartel -- all devices that are unattractive in the U.S.

Nevertheless, says a high State Dept. official: "Agripower is there. The Soviet grain deal was significant. That really signified throughout the world that it exists. It's a perception of that power that will bring about a change in attitudes, and clearly the U.S. than any OPEC nation has in petroleum."

This official already sees the impact of U.S. grain power in Eastern Europe. Expanding livestock herds and concurrently supplying large amounts of grain to Eastern Europe is proving too much for Soviet agriculture. "They committed themselves to making available amounts of grain that are not sustainable," he says, pointing out that this year "the Soviets are practically out of this." The East Europeans are turning more to the U.S. Poland, a nation that has experienced food riots, would normally have gotten 2 million tons of grain from Russia. This year it will probably get once from Russia. This week Butz announced that the informal agreement with the Poles calls for shipments of at least 2.5 million tons of U.S. grain annually for five years.

Even some State Dept. officials who decry the use of food power recognize that it has potential. One of them argues initially: "Grain power is power over people who are hungry -- people we don't want to push around anyway." He says wryly that the Russian grain deal might "get us as much oil as the Finns use." Still, he concedes that "we could make OPEC look sick if we were just to use what our agriculture gives us."

Even though the State Dept. has usurped some of his power, Butz is the Administration's most outspoken proponent of food power. He sees two contesting commodity powers in the world -- agripower and petropower. "In the long run," says

Butz, "agripower has to be more important than petropower. The single most important way we have of communicating with two-thirds of the people in the world is food."

Butz gives two examples of how, as he says, "food talks." Referring to Kissinger's Mideast peacemaking efforts, Butz says: "The Russians could have blocked that agreement between Egypt and Israel when Henry was shuttling back and forth." The reason they did not, the Secretary contends, is that they needed millions of tons of U.S. grains, and "they knew it was no time to be fooling around." Asked if there was such a link between the Mideast peace agreement and the Soviet grain deal, a high State Dept. official conversant with both negotiations concurs in one word: "Undoubtedly."

The Agriculture Secretary also credits much of the warm-up in U.S.-Egyptian relations to food. When he visited Egypt a year ago, he says symbolically, "I had a little wheat in my pocket" -- in fact, 200,000 tons worth \$37 million. According to Butz, President Anwar Sadat told him that if he could improve Egypt's infrastructure, it would increase political stability and turn the country's mind away from war with Israel. On the spot, Butz signed an agreement that allowed Sadat to sell the wheat in Egypt and use the proceeds for such things as road construction. "That's agripower and the tool is food," Butz says with satisfaction.

One of the bluntest assessments of U.S. food power comes from Presidential aspirant John Connally, the former Treasury Secretary, who told BUSINESS WEEK recently that the nation is too soft with other countries, acting "as if our needs had to bearing on their needs." Connally poses the question: "When the Soviets want 9 or 10 million tons of wheat, what's wrong with saying, 'That's fine, we'll sell you wheat but we want oil.' What's wrong with that?"

Impact on Geneva

Lester Brown, a former Agriculture Dept. official who is now president of Worldwatch Institute, a research organization that focuses on food and related problems, says: "The issue is not whether food represents power, but how that power will be used." Most countries, Brown notes, depend on Canada and the U.S. for a part of their food supplies. Thus the two should allot their food exports liberally to countries doing a good job of increasing their food supplies and give sparingly or not at all to food-production laggards. "Agricultural mismanagement, wherever it occurs, has become a luxury which the world can ill afford," Brown says.

One benign application of U.S. food power would be a proposal by Senator Adlai Stevenson III (D-Ill.) to ration U.S. grain exports in times of short-age. Stevenson, who breeds Simmenthal cattle on his 1,000-acre Illinois farm, says he has trouble talking about food power because "you begin to sound as if you want an OPEC for corn." In fact, his idea does have some OPEC overtones. The crux is his belief that, when short-ages occur, "America can control the world price and supply of grains" without turning to embargoes, as it has done with wheat and soybeans in the past three years. Under Stevenson's plan, exports fees would be imposed. "Fees would recapture for the U.S. the price premium which arises when exports are limited," he says. "Price would then distribute supplies abroad." The fees -- "agridollars" -- would be distributed in turn to poor nations to help them pay their food bills.

Because of its formidable capability to produce food, British historian Geoffrey Barraclough, who is teaching at Brandeis University in Waltham, Mass., contends that the U.S. is now regaining the diplomatic clout it lost during the Vietnam war. The intense demand for grains, particularly from affluent nations such as Russia and Japan, pushes world grain prices up, Barraclough says, but as the major grain exporter, the U.S. benefits by earning billions to pay its oil bill. Meanwhile, major industrial

competitors of the U.S. are getting hit not only with big oil import bills but also with big food imports bills. The trade result, says Barraclough, is more competitive price tags on U.S. exports.

Many officials are uncomfortable grappling with the implications of U.S. food power. For example, Nebraska farmer Clayton K. Yeutter, a former Assistant Secretary of Agriculture who is the deputy special trade representative at the Geneva trade talks, insists that the U.S. would win more enemies than friends if it tried to use food as a weapon. Still, he is unable to avoid its role as a trade lever in what he calls "supply-access" situations -- "you buy food from us and we get access to your market."

An associate tells how Yeutter is already making shrewd use of food power at Geneva. When a foreign delegate turned to him and asked, "You are not going to embargo soybeans, are you?" Yeutter, who is completely opposed to embargoes, commiserated solemnly, then responded: "Well, we certainly hope we won't have to."

Some food experts see limitations on how effectively the U.S. can flex its agricultural muscle. The moral arguments that Washington has made against petropower also seem valid for food power, says Don Paarlberg, the Agriculture Dept.'s chief economist. He disagrees with his boss, Secretary Butz, over the issue of food power politics. "I mistrust the use of food as an instrument of coercion in international affairs," Paarlberg says. But more significantly, he doubts that the U.S. has that much leverage in the world as he envisages an increase in Agricultural productivity in other nations.

"Using food as a tool requires an extremely tight demand situation," says Patrick O'Brien of Paarlberg's staff. "If you happen to be sitting on a large supply in one short year, you're in good shape." But over the longer haul, he contends, you create a backlash: "You encourage every little producer to step up and do his duty." As an example, he cites the surging production of corn and grain sorghum in Thailand.

The Paarlberg-O'Brien position is amplified by economist Fred H. Sanderson, a senior fellow of the Brookings Institution. "Window dressing," Sanderson calls the Soviet grain agreement. "The tie with oil is completely meaningless, but the Administration can go to the public and say. 'We are doing something for you.'" Sanderson calls the food production potential of the developing nations "tremendous."

The Arab oil-exporting countries, in particular, are placing a high priority on expanding their region's agricultural output. Says a veteran Mideast representative for an American company: "The feeling I always get is that the Arabs know that if the West ever starts to have other sources of crude, we are going to get even in the next decade with food. They are terrified of this and are pouring money into Sudan." An Agriculture Dept. specialist on Africa, Charles Treakle, says of the Arab intentions: "they look on the Sudan as a possible breadbasket."

At 967,000 sq. mi., the predominately Moslem republic of Sudan is the biggest country in Africa, substantially larger than Alaska and Texas combined. Only 11 million of its 200 million arable acres have come under the plow. So far Saudi Arabia, Kuwait, and Abu Dhabi have provided several hundred million dollars for irrigation projects and paved roads. One of the latter terminates on the Red Sea at Port Sudan, which could become the main port for food exports to the Middle Eastern oilproducing countries.

Not surprisingly, the most bitter criticism of U.S. food power politics comes from foreign sources. Says Holland's Addeke H. Boerma, the outgoing director general of the Food & Agriculture Organization: "the world will judge nations on their willingness to give food to nations in need much more than it will judge those nations who might withhold oil."

Trading food for copper

"It is absolutely unacceptable that a human need as basic as food should be manipulated for political ends," argues a European community official, apparently overlooking his own organization's highly politicized common agricultural policy. The EC's commissioner for agriculture, Pierre Lardinois, recognizes the growing sensitivity of food and claims that nations are accepting the concept that "grain is not just the same thing in world trade as sewing machines."

Some Europeans think agripower just cannot be exploited. Franz-Josef Speck, head of foreign policy for Germany's agriculture ministry, says the EC can only give away a million tons of surplus skimmed-milk powder that developing countries need "because there's no buying power on the other side." Speck says: "to use food as a club to wield power simply isn't in the cards." His countryman, Herbert Hruhl, a Christian Democratic member of the German parliament, does not agree. Hruhl says: "In a few years, money will not be playing much of a role in these transactions. If Zaire or some other country needs a million tons of wheat, it will have to pay with copper, for example."

The Japanese, who must import 80% or more of crucial commodities such as wheat, barley, soybeans, and sugar, are particularly bitter that a politicizing of food could put them under even more pressure. "Japan lived on rice once and could live on rice again," declares Morihisa Emori, a commodities expert for Mitsubishi Research Institute Inc. Anyway, Emori rationalizes, "The U.S. must sell because it has grain surpluses and needs overseas sales for its balance of payments."

In economic terms, the possession of food power is proving a mixed blessing for the U.S. The trade benefits have been overwhelmingly positive since 1970. At the time, the trade balance of nonfarm products began to show heavy deficits while the balance of agricultural exports and imports began to zoom upward as world food supplies grew shorter and a depreciating dollar made U.S. farm foods a bargain. Through last year, the increase in the positive food-export balance was elevenfold, counting both commercial and government concessional food exports. Taken alone, the commercial food balance increased more than a hundredfold. Each year agricultural exports have set a new record. In 1975-76, farm exports are expected to total \$22 billion, up from \$21.6 billion last year. The U.S. farm sector will account for a positive agricultural trade balance of \$12.7 billion, according to current estimates. This will cover about half a year's oil imports.

It is a different story on the domestic price front. The 14% food-price inflation that aroused consumers in both 1973 and 1974 is attributed in large part to the U.S.'s assuming its expanded role of major food purveyor to an increasingly hungry world. In particular, the massive Russian grain purchases of 1972 and 1973 are blamed because they emptied the U.S. granary.

Farmers' dilemma

Economics professor George E. Brandow of Pennsylvania State University calculates that selling the Russians 20 million tons of grain in the next 12 months would raise retail food prices an additional 2.4%, adding some \$4.5 billion to the national food bill. (Actually, the Russians are expected to buy a few million tons less.)

Certainly massive foreign grain sales have been a two-edged sword for farmers, depending on whether they produce cattle or grains. Garden City, Kan., provides an unusual focus on grain and cattle production today. Outside the town, grain fields that flow to the horizon are spotted here and there by large feedlots, where pen riders -- the

Kansas cowboys -- shuttle fat steers from pen to pen.

Sitting in the Garden City cooperative Grain Terminal, Ralph "Pete" Beckett, a tall, calm wheat farmer of 57, says easily, "I've kind of struck it rich." Beckett raises wheat, corn, sorghum, and hay on 1,700 acres of land he owns or leases. "Detente was the big watershed," he explains. "My income practically doubled in 1973 [after the first Russian grain sale.] In 1974 it was good, and it will be good this year." Ten years earlier, Beckett was raising cattle. "That's what saved my bacon -- when I got out of that," he says with relief. However, Beckett says he does not really feel rich when he considers the way costs are rising for fuel, fertilizer, tractors, and machinery. "We've got to have \$4.50 or \$4 for wheat to come out," he says. (This week, wheat was bringing about \$3.51 a bushel in Chicago.)

Down the street in the Wheat Lands Motor Inn, where Garden City's now-affluent farmers congregate to talk business and eat the inn's celebrated hotcakes, wheat farmer Charles Drew was complaining about the Russian grain deal. "One thing that disgusts me," Drew protested, "was for us to raise this record 2.1-billion-bu. wheat crop after they said 'plant fence row to fence row,' and then they turn around and impose export controls on grain sales to Russia and Poland."

Clyde Mercer, a grain farmer held in awe because he raised some 226 bu. an acre of irrigated corn (average in his country last year: 108 bu. an acre) conceded that he could really raise wheat for \$1.72 a bu., but only because 10 years ago he bought nearly half of the 2,000 acres he farms for \$94 an acre. The world demand for U.S. grains has done something to the price. "The other day I was offered \$1,180 an acre for it," Mercer reported. Like Drew, Mercer considers Under Secretary Robinson's grain deal to be meddling, although he is aware that consumers were demanding something to offset the inflationary impact of big grain sales. Recently, he and his wife took an autumn bus tour of New England. "I was the only farmer on that bus, and I never met such hostility in my life," Mercer recounts.

On the edge of town at the Brookover feed lots, a huge sign stands astride four towering feed tanks. It reads: "Eat beef. Keep slim." It is the idea of owner Earl C. Brookover, himself a tall, heavy-set man who has made money in irrigation and natural gas and made and lost some in cattle-feeding. His lots handle more than 100,000 cattle a year. Brookover is a survivor of what Kansas cattlemen call "the wreck" of 1973, when feeders were holding record numbers of cattle, the 1972 Russian grain sales doubled feeding costs, meat prices were frozen, and housewives were boycotting beef.

"We went into a tailspin," Brookover says. "We lost money for 20 consecutive months." Now profits have caught up with costs, and Brookover concedes that "we are making some money this year." He figures he can live with the Russian grain agreement if it stabilizes prices, even at a high level.

But what bothers Brookover is that the State Dept., which he thinks does not have the best interests of farmers at heart, seems to be taking over agricultural policy. If this is the case, Brookover and other farmers worry whether all the big thinking about food power will be tempered by the down-to-earth fact that U.S. farmers, processors, dealers -- the whole agribusiness complex -- are in the business of growing and selling food to the rest of the world. They want to sell the most they can for the highest price they can get. And they are going to be very unhappy, like any other businessmen, if too much of their freedom to do business is sacrificed to other national objectives.

*From Nexis-Lexis

GRAPHICS: Picture 1, no caption; Graph 1, Why the U.S. wields so much food power, Mario De Vincentis-BW; Graphs 2 and 3, a surge in farm products pulls the U.S. balance of trade into the black, Mario De Vincentis-BW; Graph 4, the haves and have-nots in the world grain trade, Mario De Vincentis-BW; Picture 2, FAO's Boerma: 'The world will judge nations on their willingness to give food to nations in need'; Picture 3, Agriculture Secretary Butz: 'In the long run, agripower has to be more important than petropower', UPI