

MEMORANDUM

## NATIONAL SECURITY COUNCIL

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August 3, 1984

INFORMATION

MEMORANDUM FOR ADMIRAL POINDEXTER

FROM: JACK MATLOCK *JM*

SUBJECT: Soviet Grain Purchases

I doubt very much that the increased Soviet grain purchases portend a cancellation of the Long-Term Agreement. These purchases are for shipment after October 1 -- that is, in the new crop year -- and the Soviets know that if they were to denounce the agreement we could (legally at least) embargo the shipments. I don't think they would risk this.

The explanation, I believe, lies in several factors:

1. The Soviet harvest looks to be poor, and my guess is that it will turn out to be significantly lower than the maximum 190 million tons Agriculture and CIA are now setting as a maximum yield.
2. Their crop this year may be of even poorer quality than is normal. Their harvest figures include chaff, poor quality grain and excessive moisture, which means that they look better (even when they are bad) than they are in reality. We routinely deflate Soviet figures by at least 11 percent to make them comparable to U.S. figures, and the signs are that the "deflator" might be even larger this year.
3. They have managed to expand livestock herds recently, and large quantities of imported feed grains will be necessary if distress slaughter is to be avoided this winter, particularly since the hay crop seems to have been under par (too much rain in some of the Western areas that grow a lot of the hay).
4. Finally, they may be replenishing their strategic grain reserve. The size of this reserve is their most closely guarded secret -- we know less about it than any of their military programs -- but maintaining it is clearly one of their highest priorities.

In sum, I believe the purchases are explainable in terms of their needs, and I doubt that the Soviets would risk their access to the US market (which, despite our rhetoric about their being able to cover their needs elsewhere, is essential to them) by cancelling the LTA.

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BY RW NARA DATE 6-22-10