U.S. Cooperatives and the Potential of Grain Exports to Eastern Europe

by

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Cooperatives are major participants in grain production and marketing in the United States and Soviet Bloc countries. U.S. cooperatives, for example, receive more than 40 percent of off-farm grain sales, while cooperatives in most Soviet Bloc countries account for more than two-thirds of grain production. Despite this heavy involvement, trade between cooperatives in these regions is nil. U.S. cooperative exports to Soviet Bloc import organizations are also limited. Import decision making in Soviet Bloc countries is described and buyers' concerns are evaluated against export services offered by U.S. cooperatives. Exports to Soviet Bloc countries by U.S. cooperatives will remain limited unless cooperatives offer delivered sales, bids on large tenders, and improved services.

For more than a decade Eastern European (E.E.) countries have been major grain and oilseed importers and large United States customers. Purchases in the 1980s have begun to decline, first, because of foreign exchange shortages and, second, because of increased domestic crop production (table 1). Despite efforts by their governments to increase domestic production, these countries are expected to continue to need large imports of grains and oilseeds (Cook, Cummins, and VanKai; Schmidt; Schmidt et al.) Despite the apparent need for imports, availability of foreign exchange earnings may limit the ability of these countries to continue to expand imports.

Cooperatives have made several attempts to develop trade relationships with these countries. Farmland-Eaton World Trade, a joint venture of Farmland Industries, a large midwestern cooperative, and the Cyrus Eaton Group, a Cleveland-based trading company specializing in East-West trade, was organized in 1981 to develop trade with centrally controlled economies. U.S. cooperative exporters in the late 1970s and early 1980s made many contacts with buyers for centrally planned economies (CPEs) in an effort to expand grain purchases through cooperatives.

From the viewpoint of E.E. governments, trading relationships with cooperatives are often viewed as being stable and ideologically compatible with the state trading apparatus. Centrally planned governments fre-

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Table 1.—Eastern European Imports of Selected Commodities

Commodity	1971–75 Average	1976–80 Average	1981	1982	1983	1984
			Million Metric Tons			
Wheat	4.54	5.01	5.78	4.97	4.45	3.15
Corn	2.58	5.78	7.49	3.94	2.28	1.49
Rice	0.26	3.17	0.31	0.26	0.56	0.35
Total grains	9.60	14.54	15.65	10.11	8.82	7.21
Oilseeds	0.44	0.60	0.34	0.51	0.69	0.45
Oilmeal	2.80	3.86	4.58	3.79	3.61	4.31

Source: USDA, ERS, *Eastern Europe: Outlook and Situation Report*, 1983, and Eastern European Branch, ERS, USDA.

quently mention their desire to establish direct, long-term relationships with producers and to eliminate middlemen's fees. Despite an often-voiced scepticism in dealing with private multinational grain companies, in practice these trading firms have carried out the majority of trades with these countries.

In this paper, we look at the practical issues of doing business with E.E. buyers in the context of U.S. cooperatives' weaknesses and strengths in this market. We describe cooperatives' role in production and marketing of grain in the United States and in the CPEs of Eastern Europe. We describe the decision-making process for planning and implementing grain imports in E.E. countries and identify criteria buyers use to decide from whom to purchase. Finally, we evaluate the prospects of U.S. agricultural cooperatives participating in that market, including but not limited to cooperative-to-cooperative trade.

Role of U.S. Cooperatives in Grain Marketing

In the United States most cooperatives are small local businesses developed as extensions of the farm enterprise. Cooperatives work closely with farmer members to obtain farm supplies and to process and market farm products. Almost all U.S. agricultural cooperatives are purchasing, marketing, or service cooperatives. Few cooperatives directly produce agricultural commodities.

In 1982, more than 2,000 local grain marketing cooperatives handled 4.7 billion bushels, representing 41 percent of off-farm sales. The share of off-farm sales of grain handled by cooperatives has increased steadily since the 1940s (Bunker and Cook). Cooperatives operated 14,700 grain facilities with 2.8 billion bushels storage capacity. This accounted for 28 percent of U.S. grain handling facilities and 38 percent of grain storage capacity. Of the grain marketed by local cooperatives, 11 percent was consumed locally, 50 percent was sold to other cooperatives, primarily regional cooperatives, and 39 percent was sold to noncooperative firms (Cummins).

In 1984, there were 12 major regional and two interregional grain marketing cooperatives. Regional and interregional cooperatives handled 3 billion bushels of grain in 1981. This represented 33 percent of total off-farm grain sales, up from 23 percent in 1974. Like their local counterparts, regional cooperatives have seen a slow increase in their share of marketings of grain, although the share may have declined in recent years (Bunker and Cook). Because of mergers and disinvestments in the mid-1980s, the number of regional associations is declining.

Grain marketing cooperatives are significant contributors to U.S. animal feed production and soybean crushing. Cooperatively owned soybean processing facilities account for 21 percent of the U.S. industry's capacity (Dunn). Most of these plants perform the initial crush to oil and meal and, except for feed, do not further process to consumer-ready products.

Cooperatives are limited participants in other domestic processing sectors including flour milling, wet and dry corn milling, cereal foods production, consumer-ready processed vegetable oil and protein foods, and seed production. The large market share of grains handled at the farm gate by cooperatives steadily declines as the product moves further from the farm and becomes more highly processed. The pattern is the same for grain going into export markets, with cooperatives' share of marketings declining as grain moves to terminal elevators and then to export locations.

Figure 1 presents marketing channels for grain in which cooperatives are active. The number under each heading is an estimate of cooperatives' share of handlings at that level of marketing. A range of numbers indicates either a lack of data to establish more precise estimates or significant differences in share depending on the specific product.

Cooperative Export Participation

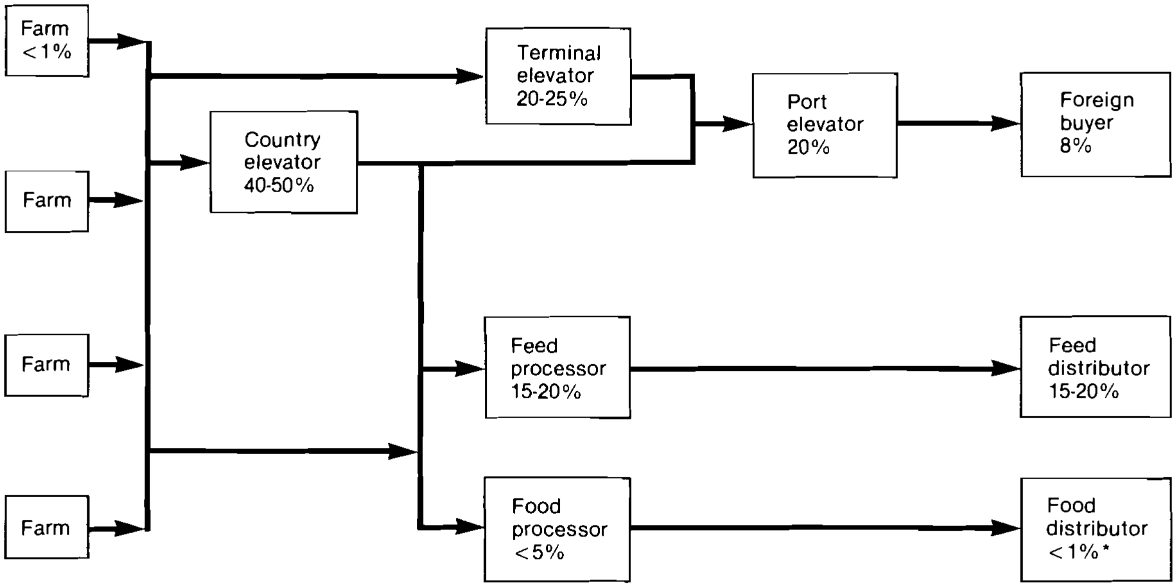
U.S. cooperative grain exports began in earnest in 1958 with formation of Producers Export Company (PEC). Under leadership of the National Federation of Grain Cooperatives, 19 regional cooperatives joined the effort. PEC began as an export broker for wheat, but the vision was for it to develop into a vertically integrated cooperative export system with marketing offices in foreign markets and tied into the regional cooperatives' well-developed system for grain originations (Reynolds).

The vision never materialized, and the venture terminated after 10 years. Out of that experience came an awareness that port elevators were essential for efficient export operations. Within a few years, cooperative port elevators were in operation on the lower Mississippi River, Texas Gulf, Atlantic and Pacific coasts, and the Great Lakes. In 1981–82, in what now appears to be a peak in cooperative port elevator ownership, cooperatives operated 13 port elevators with 82 million bushels of storage capacity, representing 22 percent of U.S. port capacity (Cummins).

Despite increased ownership of port facilities, cooperatives' share of export sales has remained constant and, in the case of direct sales, has declined since 1970 (table 2). Cooperatives reported direct grain sales of $518 million in 1970, 13 percent of U.S. exports. The share of direct sales dropped to 8.5 percent in 1976 and to 6.8 percent in 1980. Most analysts believe the share has continued to decline.

Total exports, including sales by other firms but exported through cooperative elevators, have been more constant. Cooperatives' share of total exports was reported as 23 percent in 1970 and had declined to 16 percent in 1976 and 18 percent in 1980. The 1976 and 1980 data, however, only

Figure 1.—U.S. Cooperatives' Participation in Grain and Oilseed Marketings



Source: Agricultural Cooperative Service publications and estimates by cooperative marketing specialists.
*Owned by agricultural cooperatives. Excludes cooperative grocery wholesalers owned by retail grocery stores.

Table 2.—U.S. Cooperative Exports of Grains and Oilseeds

	1970		1976		1980	
Destination	Direct	Total	Direct	Total	Direct	Total
			Million Dollars			
Canada	36.8	38.4	[a]	9.1	116.0	[b]
Latin America	61.7	65.1	[a]	60.5	113.8	[b]
Europe	74.8	98.7	[a]	740.4	566.8	[b]
Asia	330.4	367.7	[a]	654.8	888.0	[b]
Africa	1.3	10.1	[a]	32.1	3.7	[b]
Oceania	1.6	1.6	[a]	2.4	1.6	[b]
Unknown	11.4	332.0	[a]	1,045.3	250.6	[b]
Total	518.0	913.6	1,358.7	2,544.6	1,940.5	4,961.5
			Percent			
Share of U.S. exports	13	23	9	16	7	18

Source: 1970 (Bradford and Berberich); 1976 (Hirsch); 1980 (Kennedy).
[a]Direct exports not reported by destination.
[b]Total exports not reported by destination.

measure indirect sales by direct selling cooperatives, which underestimates total export sales.

Asia has been the most common destination for cooperative exports. The proportion of cooperative exports to Europe increased between 1970 (14 percent) and 1980 (29 percent). Exports to the Soviet Bloc were zero in 1970, but accounted for 7 percent of exports in 1980.

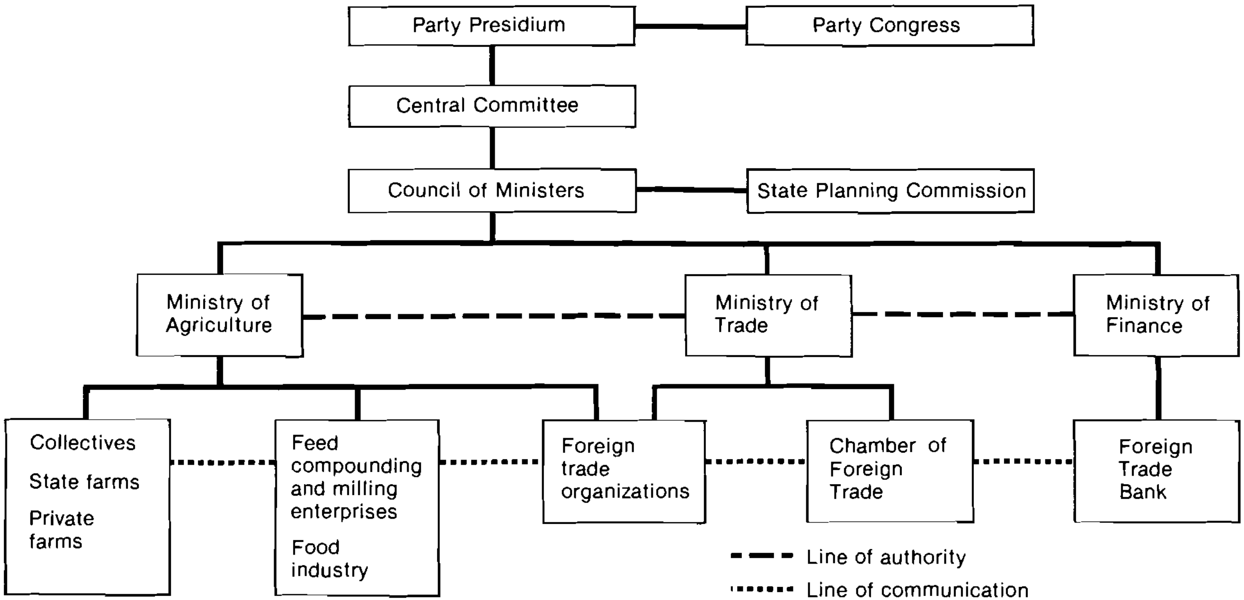
Cooperatives receive no special consideration in administering U.S. government export programs compared with investor-owned export companies. Cooperatives may participate, as any other company may, in development of agricultural and trade policies and programs. Because cooperatives handle more than 40 percent of off-farm sales of grain, the federal government may seek their opinions when developing agricultural policy. Cooperatives seldom have been major factors in establishing U.S. government export policy, although they have become more active in recent years.

Cooperative Role in Grain Production and Trading in E.E. Countries

The grain production, internal distribution, and foreign-trade decision-making system of CPEs is considerably different from those of market economies. The system was devised in the U.S.S.R. during the Stalin period and later adopted by other Soviet Bloc countries. Most E.E. countries have modified the original Soviet state monopoly planning and trading system into something more flexible and capable of meeting individual needs. Nevertheless, central planning and state trading continues to dominate foreign trade decision making.

Authority for economic planning in CPEs rests with the Party Presidium, selected from the Central Committee (figure 2). Political and economic authority is usually concentrated in the Presidium. Responsibility for defin-

Figure 2.—Foreign Trade Structure of a Soviet Bloc Economy



ing economic plans begins in the Council of Ministers and from there goes to the State Planning Commission and to various ministries and their subagencies. After approval by the Presidium, the Council of Ministers and their subagencies are responsible for implementation of the plans.

The general model of trade decision making has economic policy and trade plans flowing from the Party Presidium to the ministries supervising production, trade, and finance; and then to the production level agencies and the foreign trade organizations (FTOs). With overall trade goals provided by the Presidium, lower-level agencies prepare specific import and export plans for approval by the Presidium. Several transfers of information from top to bottom and vice versa may be needed to estimate domestic production capability and subsequent foreign trade needs. Lower-level state enterprises, including state farms, cooperatives, manufacturing and distribution units, and privately held units (in some countries), have input by registering their resource needs for production. These needs are accumulated by the relevant ministry and evaluated in terms of achieving goals set by the Party Presidium.

When a shortfall in domestic production is projected, the ministry supervising production requests imports to meet the deficit. Decisions then involve not only the ministry supervising production, but also the ministries of trade and finance. These ministries must evaluate if foreign exchange is available and if the requested imports can be accommodated. When approved in the Council of Ministers, FTOs, which are state monopolies, are directed to secure the imports. Although the general trading structure is similar for many CPEs, it is important prospective traders be well versed in the unique situations and trading customs of each country.

Cooperatives are important features of the economic systems in E.E. countries. In most countries, cooperatives are the dominate organization for agricultural production, with their share of production usually exceeding two-thirds to three-fourths of total production. Yugoslavia and Poland are two notable exceptions. In Poland, for example, cooperatives farm less than 5 percent of agricultural land and account for a similar share of production (Wydawnictwo and Leśne). Rumania is an example of a country where cooperatives play a major role in grain production. In that country, nearly 70 percent of grain area is farmed by agricultural production cooperatives, and nearly 60 percent of grain output came from these farms during 1981–83 (Republic of Rumania).

Marketing and agricultural supply cooperatives also are important institutions in E.E. food processing and distribution systems and in procurement systems for farm supplies. Cooperatives' share of marketing varies by country and by commodity. In Hungary, for example, cooperatives account for nearly 70 percent of agricultural production, but only 16 percent of food production (Vajda and Radnoti). In Poland, cooperatives purchased less than 5 percent of the production of vegetables, cattle, and hogs, but more than 25 percent of poultry production (Dietl).

Despite the common name, cooperatives in E.E. countries and those in the United States are often very different in their organization and their objectives. In fact the cooperative movements in these two regions are based on different philosophies. In the United States, cooperatives have operated on the basis of voluntary membership, member ownership, and self-management by members. Objectives of the cooperative usually closely match objectives of the member-patrons.

The principles of voluntary membership, member ownership, and self-management have been verbally endorsed in E.E. countries but placed into practice only in certain cases, for example, in Yugoslavia (Lazarcik). While membership may be voluntary, there is usually strong political, social, and economic pressure to join. In most cooperatives, few of the cooperative's assets are owned by members. Self-management is conducted on a limited scale and always with approval of a supervising government ministry. To a large extent, E.E. cooperatives are used as instruments by which the state can centralize control over agriculture.

Marketing Strategies in E.E. Countries

Extensive government control over the economy generates special considerations with which Western traders wishing to sell in E.E. countries should be familiar. In most cases, trading companies in these countries are granted a monopoly, vesting substantial purchasing authority in a few individuals. A Western seller is confronted with the realization of large potential future sales hinging on success of the current sale. The seller may feel pressure to cut prices or offer extra services on the present sale to enhance prospects for future sales.

From the FTO's point of view, by being the only importer, mistakes in procurement can have enormous consequences for the entire economy, at times even leading to political reactions. Grain is viewed as a principal food commodity, and concern over supply reaches the highest levels of government. Companies wishing to export to CPEs will need to select marketing techniques addressing traders' concerns and matching specific country requirements as perceived by the purchasing agency.

Assurance of Performance

Assurance a company can deliver according to agreed terms is a major consideration in selecting the supplying company. The most important evidence of performance is an established presence in the international market. Such a presence means an exporter can provide desired commodities in the proper quantity and quality with related services and ensure performance according to agreed terms. Moreover, because selling to CPEs requires some specialized knowledge and experience, an important indicator of performance is for the exporter to have traded successfully with other CPEs. In addition, FTO buyers stress a need for personal contact with sellers, because problems that may arise with negotiations and delivery of a contract can be avoided or more easily resolved between personal acquaintances.

Another important factor in evaluating potential for performance is the ability to originate grains from multiple origins, reducing the importing country's dependence on a single country or a few ports. Even though U.S. cooperatives have the advantage of being able to claim a direct source of supply, this capability may be less of a consideration than diversification of sources in the buyer's mind.

Because E.E. FTOs import substantial quantities of grains and oilseeds, most sales contracts are for shipload quantities or more. They expect selling organizations with which they deal to be large enough to handle their requests and are reluctant to deal with sellers that can ensure only one-time or seasonal grain sales. They also prefer access to exporters with sellers based in Europe. This facilitates day-to-day contact and enhances the image that the importer can feel assured of performance.

Pricing Considerations

Price plays a different role in marketing decisions in centrally planned than in market economies. Movements in world price levels do not necessarily affect immediately the quantities of goods produced and consumed within CPEs because domestic prices are considerably insulated from world price movements. However, firms selling to CPEs would be misled if they construed the likelihood total imports may show little response to world price movements to mean it is not important to offer competitive prices. To conserve foreign exchange, FTOs are instructed to buy from the lowest bidder, other things equal, so an individual firm must be competitive. Cooperatives have an advantage with some government officials who believe that dealing directly with a cooperative can reduce prices. Traders are skeptical of lower prices from cooperatives but encourage cooperatives to enter international markets to provide additional competition for multinational trading companies.

Occasionally, the lowest bidder may not get the sale because of other considerations, such as superior quality, acceptance of countertrade goods, or credit. These exceptions are infrequent. But, instances will occur where politics or other issues will override price in selecting import sources, especially if bilateral agreements with other governments are involved or ideological matters make one seller preferable to another.

Financing and Credit

Trading with Eastern Europe often requires financing. Credit may be extended to either buyer or seller. Buyer credit usually is extended directly by the lending institution to the importing country's central bank or directly to the FTO. The lending institution may be an exporting country, a Western bank, an export-credit lending institution in the exporting country, or the central bank of the importing country. Buyer credit is available for short or long terms and often for large amounts. Exporters extend supplier credit to foreign importers. Supplier credit includes letters of credit, cash against documents, sales on open account, bills of exchange, and short- or medium-term credit from the supplier's own resources.

Technical Assistance

Some CPEs are interested in technical assistance. Examples of past technical assistance in E.E. countries include grain milling and baking consulting and training, feed processing demonstrations, livestock feeding trials, and seed testing. They believe such activities enhance technology and production in their countries, and they encourage foreign companies or governments to offer these services. An actual increase in sales, however, is usually not ensured and may depend on the specific projects carried out.

Sellers undertake technical assistance projects in the belief that future exports to the target country will be increased. Often there are agreements or understandings that if a project is carried out satisfactorily, there will be reciprocal imports of some other products. The relationships are seldom precisely specified and require constant monitoring to see that reciprocal imports are made. The import country, especially the import FTO, has little incentive to conduct the monitoring.

In general, FTO buyers do not favor tie-in sales and do not encourage or support a particular company in making such arrangements. However, if particular tie-in arrangements appear beneficial to higher officials in importing countries, FTOs will comply.

FTOs have not coordinated purchases of agricultural products with technical assistance in the past. Given the import structure of CPEs, it is difficult to coordinate these two sides of a business relationship. Agricultural commodity sales are short-term and price competitive, compared with technical assistance, which is long-term, and the results are less tangible. Under current operation methods, FTOs are autonomous in their decision making on when, where, from whom, and at what price to buy agricultural commodities.

Countertrade

Western companies doing business with CPEs need to be familiar with a variety of business measures known as countertrade. These are contract arrangements in which Western sales of goods are tied to reciprocal purchases of goods from the CPE. CPEs view countertrade as a means of generating or conserving hard currency through offset delivery provisions of countertrade contracts. CPEs also recognize their own lack of success in penetrating Western markets and see countertrade as a way of using access and marketing capabilities of Western export forms in their own home markets to introduce CPEs' products.

Countertrade is an important element of East-West trade. At times, Western firms have found willingness to accept countertrade commitments a prerequisite to making a sale to a CPE partner. This has not been the case with many agricultural products, especially grains, but may be a possibility in future trade (Schmidt et al.). Ability and willingness to do business on such terms may present a competitive edge to an export organization.

Several forms of countertrade transactions are used (Verzariu). Counterpurchase is the form most likely to be relevant to agricultural export organizations, but there also are compensation, barter, and switch versions of countertrade. Counterpurchase involves counter deliveries of goods that are nonresultant products. The value of these goods is generally less than that of those sold by the Western firm.

Compensation arrangements, also referred to as buy-back arrangements, involve resultant goods directly derived from goods or technology provided by the West. Compensation arrangements have proved useful in East-West transactions where the Eastern country has abundant, cheap labor or raw materials, such as energy and other mineral resources needed in the West, and the Western firm can provide technological assistance and capital equipment used in manufacturing products based on those inputs. Unfortunately, this arrangement does not appear suitable for U.S. export organizations interested in selling raw materials.

Barter transactions are rare and involve direct exchange of goods without money. Switch transactions are based on multilateral use of bilateral clearing accounts. These transactions primarily involve Committee on Mutual Economic Cooperation (COMECON) countries or less developed nations whose currencies are nonconvertible. Barter and switch transactions would be involved only in exceptional cases of grain-export transactions.

Countertrade is extremely difficult to orchestrate, due to problems of arranging reciprocal purchases and inflexibilities of the planning bureaucracy in CPEs (Jones). The reciprocal feature is especially cumbersome because it requires a "double coincidence of wants" between buying and selling parties. Indeed, CPE officials engaged in buying grain imports recognize countertrade can be wasteful and time consuming. Barring external pressure from higher authority, they would prefer only to give lip service to such schemes.

One of the more serious drawbacks to a countertrade strategy is that unsalable, out-of-date items get shuffled into countertrade. CPEs often will not allow goods in high demand in Western markets to be used as linkage items for countertrade. If forced to take unwanted, inferior-quality products, exporters must sell them at a discount and absorb the discount as a surcharge to their own sales price. With the low margins associated with grain marketing, countertrade sales are particularly difficult unless the buying FTO makes exception to its general rule of buying from the seller offering the lowest price. FTOs charged with buying grain usually are unwilling to pay a premium to accommodate such countertrade arrangements.

As noted, the most difficult aspect of countertrade is identifying goods that could feasibly be acquired as a part of the reciprocal arrangement. One possible avenue for conducting countertrade would be to arrange to market commodities acquired in countertrade deals through U.S. farm supply cooperatives. Because farm supply cooperatives could provide the CPE coveted direct access to the U.S. market, export organizations might be able to exploit successfully a countertrade strategy by disposing of items received in countertrade through these organizations. To date, however, U.S. cooperatives have no well-devised mechanisms to handle countertrade.

It is just as difficult to identify goods E.E. countries might be willing and able to offer in countertrade as it is to identify what goods U.S. cooperatives would be able to acquire (Schmidt et al.). Current examples of countertrade transactions only give a limited view of types of goods that might be of interest to U.S. companies because they do not directly involve grains or oilseeds in the transactions.

Potential for Cooperative Trade

Cooperatives are in the agricultural production and marketing system in both the United States and in the centrally planned countries of Eastern Europe. Cooperatives in Eastern Europe are most active in crop and livestock production. In most countries, cooperatives are also active as first-level handlers, i.e., off-farm delivery and primary storage. The importance of cooperatives in second-level marketing, i.e., further processing and marketing of consumer-ready products, is usually limited. Depending on the country, cooperatives may or may not be important contributors to policy decisions that influence grain trade. At present no E.E. cooperatives have authority to import grains or oilseeds. Nor do cooperatives have enough influence to dictate to FTOs from whom to purchase.

U.S. cooperatives are not grain producers. They are, however, major participants in the first and, to a lesser degree, second levels of grain marketing and in some areas of grain processing, namely feed compounding and oilseed crushing. In export markets, U.S. cooperatives are particularly strong in delivering grain to port elevators for loading aboard ships. Most grain export sales are to other export companies who deliver the grain to foreign buyers. Cooperatives can and do sell directly to foreign buyers, but primarily service buyers willing to contact the cooperative at its U.S. offices. No cooperative maintains foreign offices, although several cooperatives may sell through foreign agents.

Because no E.E. country allows cooperatives to directly import grains and oilseeds from Western countries, the potential for direct cooperative-to-cooperative trade is nil. Although grain loaded by cooperatives in the United States often is processed by a cooperative feed mill and fed on a cooperative farm in Eastern Europe, between these two cooperatives there are usually one or more noncooperative trading companies. The U.S. seller of the grain is most often a private trading company, and the E.E. buyer of the grain is most often a government buying agency. In limited cases involving horticultural products in Poland, Yugoslavia, and Hungary, direct cooperative-to-cooperative trade has been encouraged. Even so, little potential exists for trade on a large scale in these products. Nevertheless, in some countries cooperatives are important participants in determining the level of production and, hence, the level of trade and may occasionally influence from whom to purchase.

More likely is the possibility for U.S. cooperatives to trade with FTOs in E.E. countries. Several factors encourage FTO buyers to consider purchases from cooperatives.

Factors Encouraging Cooperative Exports

The most important factor is the large participation by cooperatives in U.S. grain marketing. With more than 40 percent of off-farm sales going to cooperatives, there is a large quantity of grain available for export. The geographical diversity from which cooperatives can procure grain means that many varieties and qualities are available, although not always from the same cooperative. Also, cooperatives have many interior grain handling facilities and can efficiently store and transport grain to ports. With nearly 20 percent of port elevator capacity, cooperatives can load almost any ship with almost any grain.

Three other factors have limited influence on encouraging FTOs to purchase from cooperatives. First, most U.S. cooperatives strive to provide high-quality products. E.E. buyers, however, often do not wish to pay premiums for high-quality products. Second, for some situations, U.S. cooperatives are in a good position to provide technical assistance. If the potential for tie-in sales is acceptable, this may generate export sales. Third, some cooperatives may be able to accept countertrade goods in exchange for grain exports. This is a difficult sales technique, but it could be a very effective market entry device.

Factors Discouraging Cooperative Exports

Several gaps, however, appear in the ability of U.S. cooperatives to provide trade services desired by FTO buyers. For several countries, the most serious limitation is the reluctance of U.S. cooperatives to bid on delivered sales. Several countries, especially those importing smaller quantities, request bids on a c.i.f. or c. & f. basis. U.S. cooperatives often find these bids the most difficult in which to be price competitive.

Second, U.S. cooperatives are sometimes unable to bid because of the large quantities requested by some importers. Reluctance to bid usually arises because the quantities requested exceed the cooperative's ability to hedge the purchase in commodity markets within a reasonable time or its inability to manage the financial or commercial risk of the transaction. The availability of the commodity or the cooperative's ability to transport to port and load the quantity on ships is less likely to influence the cooperative's decision to bid. Third, only two U.S. cooperatives operate more than one port elevator, and no cooperative operates port elevators in more than one coastal range. No cooperatives operate port facilities in other countries. Thus, U.S. exporting cooperatives are particularly vulnerable to work stoppages at either a single elevator or along a coastal range. Fourth, most exporting cooperatives handle a limited range of commodities. FTOs in most countries import several different commodities and prefer receiving bids from suppliers for each commodity. Fifth, with offices only in the United States, contact between FTOs and cooperatives is often not as convenient as contact with European offices of other grain sellers. Although U.S. cooperatives have European agents, they are usually not authorized to quote final sales terms without approval. And sixth, U.S. cooperatives are limited in the amount of world market information they can supply European buyers.

Policy Conflicts

Because of the military adversary role between the United States and Soviet Bloc countries, trade is often constrained regardless of the commercial potential. U.S. cooperatives are solely American companies with little recourse to grain supplies in foreign countries if American grain is embargoed, stopped because of labor conflicts, or otherwise restricted.

Adverse political actions can arise rapidly and destroy otherwise excellent commercial trade. Indeed, U.S.-Soviet political conflicts over the past three decades have been frequent enough to make long-term commercial agreements risky, especially for companies without access to grain suppliers outside the United States.

In Summary

Until E.E. cooperatives obtain the right to import, there is little potential for direct cooperative-to-cooperative trade. Furthermore, there is little that E.E. cooperatives can do to influence their FTOs to purchase from U.S. cooperatives.

E.E. FTOs can and do purchase from U.S. exporting cooperatives. The quantitites are not large, however, and probably will not grow much larger unless U.S. cooperatives are able to offer delivered sales, bids on large tenders, and improved services.

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