

The Association for Diplomatic Studies and Training
Foreign Affairs Oral History Project

EUGENE A. “GENE” BANNIKOV

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INTERVIEW

Q: This is a Foreign Affairs Oral History Program interview with interviewing Eugene Bannikov in Moscow on Sivtsev Vrazhek Street in the offices of Exportkhleb. This interview is being conducted under the auspices of the Association for Diplomatic Studies and Training. I’m Allan Mustard. This interview focuses on Soviet and Russian agribusiness. Gene, where should we start?

BANNIKOV: So, May 7, 2008, and on the eve of our national holiday it’s a pleasure to try to remember some of the major happenings during the last, say, 40 years, what

transpired in the field of agribusiness in Russia, Soviet Union, and Exportkhleb in particular.

Well, my personal career is exclusively connected with Exportkhleb because while I was in the last grade in Moscow State Institute of International Affairs, even one year before graduation I entered Exportkhleb in 1963 and that was a remarkable year for Exportkhleb's future activities because that's when the first major imports were consummated with Continental Grain; a company, I will come to that a bit later. And also a huge Canadian three-year agreement was also consummated in 1963. And after I graduated in 1964 naturally I was already knowing a lot about grain situation world-wide and was even working on quality instruments and knowing the market, companies, and it was easy for me to continue a grain trading career.

Exportkhleb was a 100 percent state company, founded April 30, 1923, so we just celebrated 85th anniversary two weeks ago. It had the sole rights for handling export/import activities until 1991 when, in accordance with the decree of the government Exportkhleb, as one of the first foreign trading companies in the USSR was transformed into joint stock company, closed type. [Bannikov's Note: So Exportkhleb reacquired its joint-stock status in 1991, by Decree of the Russian Government. Amongst its shareholders are nearly all ministries of procurement of FSU republics, chartering, insurance companies, banks, silos, agricultural enterprises from Rostov, Krasnodar, Stavropol and Orenburg regions. Exportkhleb is one of founders of the Russian Grain Union (RGU), Russia Commodity Exchange, Moscow Grain Exchange, Moscow Chamber of Commerce, as well as member of GAFTA, FOSFA and ICC. I was Deputy National Delegate of Russia in the International Association of Cereal Science and Technology (ICC) until 2004. Exportkhleb was on the Board of Directors and Council of Exporters of the RGU since the very beginning. Until 1964 exports of grains predominated in the USSR. Imports of various grains started to exceed exports occasionally in 1964, 1965 and 1966. Volume of grain imports into the USSR exceeded for the first time 3,0 MLN. tons level in 1963, when the first large one time grain deal was consummated: a 1 MLN. ton contract was struck with the Continental Grain Company, New York, USA.. However massive continuous purchases of grains (over 15 MLN. tons) started in 1972 and extended through 1993.]

So in the beginning Exportkhleb, the first year of foundation, we exported one and a half million tons of grain; in the next five years [Bannikov's Note: 1923-1927] close to 10 million tons, but the maximum volume of exports, surprisingly, compared to what is happening these days in Russia, never reached more than 10 million tons. While, as you remember, in 2002 and 2003 we exported about 18 million tons, only from Russia. And in the Soviet Union we had much greater possibilities, as we were actually using without any local competition terminal capacities of nowadays Ukrainian and Baltic ports. [Bannikov's Note: Having state grain handling monopoly made it easier to charter any freight and arrange railing to export outlets.] And so we had elevator facilities in Odessa and Novorossiysk, Tuapse and Leningrad and Feodosia, as far as I remember, until 1935 or thereabouts [Bannikov's Note: Actually, until 1937], until 1951, Exportkhleb handled in addition to cereals, all sorts of things, including cattle, coffee, spices, fruits and

vegetables and whatever. After that two specialized companies were established to deal in these articles, namely Prodintorg, which you remember, and Soyuzplodoimport, selling vodka, brandies; so we were doing that in former times. [Bannikov's Note: Prodintorg handled cattle, meat, oils and fats.]

So we were selling mostly wheat, cakes, and meals in big quantities, competing with Manitoba's famous Canadian wheats and hard winter wheat from the States, especially when Soviet Union reclaimed virgin lands in Kazakhstan new spring varieties came into existence in like Soviet Kazakhstan spring, which abbreviated stands for SKS, 14 or even 16 percent guaranteed protein. So even these days not many countries guarantee 16 percent protein. And quality of sunseed expellers and meal also commanded a substantial premium over the other originals.

The first major imports were done in 1963, as I said, and it's quite a story. I remember, because I was there already in the company and I read about it and such interesting things, as the problem of 50 percent American flag because it's extremely costly and how to keep the price competitive and everybody happy. Finally it was resolved to the mutual satisfaction; I am not sure but the American side benefited more because Soviet Union agreed to buy hard amber durum, which originally we didn't plan, durum wheat, for which subsidy was high so that's how extra freight costs were absorbed.

But later, especially for the last couple of years, five, six years, Exportkhleb was exporting durum wheat, and we started durum wheat and another company joined in big volumes to Italy, Northern Africa; quality of durum was quite suitable for making macaroni production. So that was one of our main lines of activities. [Bannikov's Note: We started durum wheat and another company joined in big volumes to Italy, Northern Africa originating from Orenburg and Chelyabinsk regions. It became one of our main lines of activities. Apart from export we deliver durum to the largest flour mills.]

Regarding famous 1963 Continental deal, I believe, Ben Nordemann was instrumental and Bernie Steinweg, and at the time the president of V/O Exportkhleb was Leonid Matveyev. Unfortunately he passed away a long time ago; he was Soviet trade representative in Lebanon after he left Exportkhleb. Later on he was succeeded by Mr. Nikolay Belousov; his name is mentioned a few times in the three books, which you perfectly know very well, and is recognized an old gentleman and he taught me a lot. He was a director of the grain division and then the president. So basically until 1970 exports predominated in our activities and from 1972 there was an obvious distinct shift to importing, which started to predominate as of 1972. By that time I'd just returned from my first foreign occupation in the Netherlands where, by the way, I was selling, myself, sunflower seeds expellers and wheat directly to Dutch cooperatives like Sehave, Sebeco, Unilever, Utdelphia as well as huge quantities of feeding peas. I remember exporting a huge quantity, like 300,000 tons a year. Unheard of. We never repeated it again.

In 1972 that was the beginning, in fact immediately when I came back I started to prepare a master contract in anticipation of import activities with the United States, it was one, and European. And it incorporated all major requirements which were much stricter than

the existing contracts of other importers. [Bannikov's Note: These included terms of heavy metal content, mycotoxins, pesticides, radioactive nuclides, weed seed contamination etc. These plus some other requirements were known in the market as "Russian terms" which commanded certain premium.] Well, I will not go into details but because of our dominating factor in the markets there was no discussion that exporters will argue about accepting or not accepting these conditions, so that is - I still have probably somewhere, this master contract. But naturally all trading houses have them in their files.

So from 1972 I believe because of the need to improve the wellbeing of the Russians, to have a better diet by increasing meat production and consumption and in general livestock production, so this necessitated the importation of substantial quantities of grain. Besides it coincided with the shortfall of the crop in 1972 and then it continued.

Q: Well, it eventually led to the creation of the long-term agreements. Can you talk a little bit about the genesis of the long-term agreements (LTA); why they came about and was that an American initiative; was it a Soviet-?

BANNIKOV: Definitely it was an American initiative- it came from USDA, because naturally importing 10, 15, 20 and after that over 50 million tons, the record number, we have imported between 1984, 1985 altogether 55 million tons. And at one point we estimated that Soviet Union couldn't handle more than 30 tons. Naturally importing even 5 to 10 million tons is a huge market factor and it could affect the market drastically. So that is why even these days the news that somebody, say Egypt is holding a tender to import two, 300,000 tons only already drives the market up. Not to speak about, say, Japan, or say other importer from Russia, with China buying millions of tons of grain.

Q: Was the LTA a consequence of this so-called great grain robbery, then?

BANNIKOV: At the time I don't think we even read the book; it somehow escaped our attention. We had other things to be concerned with. No, simply after the first year of active importing, we were approached, not we, but the Ministry for Foreign Trade and Exportkhleb -- they discussed the possibility of concluding LTA so the market will know in advance what our future actions are expected to be. And in the first place it was limited to four to six million tons, which was a minimum guaranteed amount which USDA places at our disposal to buy any time specified commodities between wheat and corn and our obligation to buy it at the market price, which we always overfulfilled. So subsequently this level was changed, was increased to eight, ten then 12, et cetera, million tons, which we also overfulfilled. But once such agreement is known in the market the markets, to a certain extent, discount it, our future actions if we do not exceed, naturally, the volumes.

Q: But that would have resulted in you getting better prices then.

BANNIKOV: Correct, correct, but that is also already part of strategy. So naturally each time USDA during biannual consultations wanted to increase further and further and we

would like to keep it at the previous level, so there was not a- there was always a discussion and we came to agreement and basically there was no argument about it. We exchanged information, how much we bought, how much USDA recorded as being bought destined for Russia, and compared numbers, contracts, exchanged information about the quality because we're concerned about the different aspects of quality. It was additionally our initiative to include in the biannual consultation as an extra item. I will always prepare the information on the subject, including contracts, how much was contracted, et cetera. [Bannikov's Note: It was not surprising that sometimes there were quality and condition issues as sampling methods at both ends were completely different and the same referred to methods and instruments used, standards and tolerances. We even had to prescribe in the contracts the Russian method for determination of wet gluten.]

What else?

Q: Okay, could we go back to the 1972 purchases that took the United States by surprise because when - in the wake of those purchases USDA (United States Department of Agriculture) took a number of actions. One of them was the creation of a satellite imagery office in USDA to follow the Russian, the Soviet crop better. Another one was export sales reporting; USDA required all exporters to report any sale of more than 10,000 tons so that we would know about it, so we would know about the contracts and therefore the market would not be caught by surprise. Could you talk a little bit about when Exportkhleb put together the purchases in 1972, how it started, at whose initiative was the decision made to go into the market in such a large way, and you went about it very quietly, really caught the market by surprise. And this is something that, 35 years later, I think is a story that's waiting to be told.

BANNIKOV: Well, myself, I didn't participate in the scenario, unfortunately, so I can only share my, say, feelings, what I heard, what I read. Naturally, it was a surprise, not only for the USDA but for the whole grain market. Well, I believe there was a certain - in the Soviet Union there was always a plan of importing something, including grains. Initially certain figures were stipulated for 1972 but I believe there were additional requirements and those figures were naturally exceeded by far. And it was naturally initiative on our side and how it was done is portrayed in the books so the team went and etcetera, etcetera. But I believe this is true only for the beginning, when we started. In the future very rarely trips outside Russia and coincided with signing of and completing of the contracts. Afterwards it was done quietly over the phone, over the telex, which was without such a hassle or such nervous scenario. So while I was myself involved in buying on the phone every day, not in 1972 but much later, and on the telex; we had three telexes. It's outdated now, nobody has it, but we also throw them out but at that time it was the best instrument; immediately you have a black and white confirmation of what we're talking about. I remember typing myself, on three telexes at the same time. Somebody was waiting and long sheets, like that. But after we agreed on the contractual conditions so that there was only to discuss the quantity, shipment period, price, and that's it. [Bannikov's Note: I remember typing myself, on three telexes at the same time negotiating three different purchasing contracts simultaneously. Somebody was waiting

and long sheets, like that, while I negotiated with the competitor on the other telex machine. Long telex sheets were kept as contract confirmation until originals were exchanged.]

Q: So you were handling enormous volumes of grain and millions and millions of dollars of transactions on the basis of conversations over the telephone and on the basis of confirmation by telex. That was very unusual in the Soviet Union in those days.

BANNIKOV: That was unusual, indeed. We relied, and there is not a single case that I could remember that our transaction done in this way failed, or didn't come to be materialized. While somebody had to start it, it was started, it was successful and there was no need to come out; when you come out, everybody expected, after 1972, that we'll be doing massive purchases which didn't happen, mainly probably because of all the fuss which appeared after 1972. So it was easy and it was a lot of contacts. In the last book, Merchants of Grain, there were a lot of names of traders with whom I traded personally and who were very reliable, knowledgeable people and somehow we made it.

[Bannikov's Note: In fact they trusted that we shall fulfill our obligations to pay in time which we did punctually. Sometimes shipments were underway even before we saw contract originals. If not for the Soviet purchases the United States would never have been able to export that much whether it was wheat or corn or soybeans. Nothing came even close to that.] [Ed: Merchants of Grain: The Power and Profits of the Five Giant Companies at the Center of the World's Food Supply by Dan Morgan, published in 1979 is a history of the international grain trade, with an emphasis on the five companies that dominated it during the 1970s: Andre, Bunge, Cargill, Continental, and Louis-Dreyfus. Archer Daniels Midland figures much less prominently.]

So 1972, no, I believe Russia was blamed for the fact that the prices soared, etcetera, etcetera, and that selling to Russia subsidized wheat is, how to put it mildly, I can't say. But on the other hand what I read is that, if not for the Russian imports more than \$200 million would have otherwise been paid to the wheat farmers. So it's questionable whether it was good or bad for the economy. The fact that it is subsidized; it is not a secret, so nobody talked about asking for a subsidy. We were asking for a fair market price. And if the grain is not competitive in the world market then subsidy has to be included and the U.S. subsidy at the time was a couple of times lower than in Europe, than in France. It was 35 cents or a dollar, whatever, in France, and later it increased to 75 or even more. In '84, '85 it was over \$40, \$40 per ton. It was half the price, half the price so we were not concerned about the structure of the price; we were concerned that it should be fair market price that could be justified in the country by the auditors and have them become competitive too. Similar quality from other origins.

Q: What kind of wheat were you buying back then? Was it mostly hard red winter for baking and milling? Were you buying feed wheat?

BANNIKOV: No, feed wheat we didn't buy in the beginning; we were buying mostly hard red winter wheat. Later on we were convinced and we tried successfully and then included in our purchases spring wheat, which was risky because of the danger of having

ergot. But since there was none it was not naturally our decision; it was the decision of our client and the client at the time was the state, represented by the Ministry of procurement, or Ministry of Grain products was its different name. Ministry of grain supplies or procurement and they decided what to buy depending on the balance of grains in the country and at the time it was impossible to find any figures about the grain balance.

Q: There was a period in Soviet history, from 1980 to 1985, when grain production figures were made secret, and I remember when I arrived in 1986 at the embassy we were still doing our grain reporting without having production numbers, and the production numbers were finally published in October 1986 for the previous five years. Can you talk about that, about that period of secrecy when the Soviet government was trying to hide grain production numbers and why was it doing that?

BANNIKOV: It's hard to say but naturally we could not find such information even for ourselves and maybe minister of procurement, well definitely, the minister of procurement should know it. Minister of agriculture, maybe some officials also knew it but not like Mr. Sukhov of today's - It was not simply available for open publication and naturally that complicated things for everybody, including us, because when ministry of procurement and preliminary would like to review the possibility of purchasing certain volume of certain grains we discussed what is possible, what are the prices, how much gold we'll have to sell in order to buy it. [Interviewer's Note: Here Mr. Bannikov refers to Mr. Sergey Sukhov, an official in the Russian Ministry of Agriculture at the time of this interview, who was responsible for market regulation.] And sometimes this advice to buy certain items and ought to include something else from other origins which was not discussed initially with minister of grain products. So we really lost contact with them and had to make a most optimal scenario of purchases. [Bannikov's Note: And at any moment we had a global clear picture how much grain was loaded, en route and ETA our concrete ports of discharge with break-down for origins and types of grain. Huge arrivals necessitated weekly conference calls involving all ministries concerned. One of difficult tasks for us was to issue timely hundreds of invoices with all shipping documents enclosed.]

Q: But you were still driving with your eyes closed, in effect, and you didn't know what the Soviet grain crop was going to be.

BANNIKOV: Yes, unfortunately. What could we do? What could we do? Well, I can only say that we had an Exportkhleb system of, we call it reserving grain for exports, for future exports. For that purpose we send out our representatives to major grain growing areas and pre-selected certain lots of grain which we thought would be the best to sell. So certain substantial volumes were reserved for exports. [Bannikov's Note: And this policy lasted until 1970. On the other hand we a full and clear picture regarding grain supplies situation worldwide and could at any time recommend the most appropriate purchasing strategy depending upon our local requirements at any moment.]

Q: So you had a network that you could use a little bit to get a sense of what the crop was doing?

BANNIKOV: Yes. It was in a way kind of your surveying of the crop. But we didn't only survey but we also reserved the – booked with the collective and state farms certain volumes on which we could rely and sell later. But you are right, that complicated things, the absence of information on the volume, of the acreage, the yields, who is - what is growing, naturally. And even these days such information is available but it would have been more readily available and on a wider scale if the system of grain inspection would have been preserved, would have been kept intact as it were. Unfortunately, what is available now, according to some analysts, yet has to be verified, the accuracy of this information, especially as far as the stocks are concerned, you know. [Bannikov's Note: In the last 2 years available information about crop condition and related aspects improved somewhat.]

Q: Stocks data fluctuate greatly right now.

BANNIKOV: It is a very sensitive issue.

Q: Yes. You dealt a lot with the major grain companies and I think one of the changes that's occurred over the last 20 years has been the shift from what we used to call the seven sisters—remember them—and now they talk about ABCD, Archer Daniels Midland, Bunge, Cargill, Dreyfus as the major players but there are a few other major players. Can you talk about the change in the grain trading landscape that you've seen and how that's affected grain trade and how that's affected international relations, maybe, because, again, in the old days we had long-term grain agreements, governments were heavily involved in grain trade, we had subsidy programs and that's changed dramatically in the last 20 years. So if you could talk about those changes, whether they're for the better or the worse.

BANNIKOV: Well, I hope for the better and as the world progresses everything progresses, including our comprehension of what is transpiring in the grain area. We started trading with the big five or seven sisters including Conti, which discontinued grain activities unfortunately. Well, Continental Grain a lot of good friends [Bannikov's Note: Mike Laserson, corn, John Laesh, wheat, John Jacobovsky, freight, Sal Amram, rice all in NYC] but in fact we traded mostly through European offices of multinational companies, basically all headquartered in Geneva, that's Finagrain Geneva [Bannikov's Note: Owned by famous M.F.- Michel Fribourg] with Francis Turion, a very nice chap, unfortunately he died 1978, 1979 because of the of blood disease...

Q: White blood cell, leukemia?

BANNIKOV: Yes. Extremely nice fellow. And with Cargill we traded through Tradax in Geneva, Mike Sladek, born Czech, also quite a character, tennis player, cigar smoker, *babochka*. [Interviewer's Note: Literally "butterfly", refers in this case to a bow-tie.] [Bannikov's Note: But we also negotiated with Cargill bosses in Minneapolis, Whitney

McMillan, Bernie Saunders, Jimmy Howard, etc.] And Cook Industries [Bannikov's Note: Headed by famous Ned Cook, with Chris Parrott, brilliant Willard Sparks, deceased, who later formed a renowned analytical company Sparks Commodities], which you didn't mention, later became a big player and we traded through their Geneva branch and Gerard Emler, who later on created his own company, Tradigrain and we traded with him also then directly on a small scale. Unfortunately Cook Industries had the same fate as Conti. And apart from ADM [Bannikov's Note: Dwayne Andreas and Bernie Kraft, Decatur], Toepfer [Bannikov's Note: Klaus May, NYC, J.Tonder and W.Schneider, Hamburg] started active trading with us. Bunge [Bannikov's Note: Walter and John Klein, John Hoffmann in NYC] and Louis Dreyfus [Bannikov's Note: G. Louis Dreyfus, Paris, John Finlayson, Mike Robinson, Harold Robbins in Connecticut] were always on the list. I was lucky to know the families of many of them in the USA. I remember very well trading directly with Garnac Grain [Bannikov's Note: Peter Kohler, George Ackermann], Peavey, Farmers Export Cooperatives, Tidewater Elevator in Philadelphia. Even a number of Japanese companies headquartered and incorporated in the United States at a certain point also participated, including Mitsui, Mitsubishi, Marubeni, Sumitomo, Toya Menka Kaisha. So the list of suppliers of U.S. grains was quite long and the more players participated to a certain extent it was easier to achieve our goals.

Q: How so? Why easier to work with more people? Better competition or -?

BANNIKOV: Competition, naturally. And then to raise certain volume it's less cumbersome because Cargill or Continental or the big five or seven not always would be able to cope with the then requirements.

Q: So you were more or less forced to go out and look for additional suppliers simply because of the logistics?

BANNIKOV: No, it just happened. It just happened because it also has certain restrictions or limitations because the companies which I mentioned naturally handled much smaller volume. I don't think we had the contract at less than 50,000 tons. I don't remember but I don't think so. And when it comes to execution, loading vessels, ships, it's naturally more complicated. On one vessel they have to combine- the last few vessels they have to combine shipments from three, five, even more companies. Well, this is separate bills of lading for identical commodity. And also there are other complications that were less flexible because sometimes changes had to be made because of certain internal requirements, we need to substitute one commodity by another commodity or ship it later or sooner or whatever; things happening. And the flexibility, naturally, is more- lies with Dreyfus, Continental, Cargill, Bunge.

Q: I remember in the 1980s when I was here, receiving a message once from Don Novotny, the director of the grain division in the Foreign Agricultural Service saying that he had talked, I believe to you, by telephone, and instructing us in the embassy to do something, I've forgotten what it was, perhaps to help you get a visa to go to the United States or something, and it underscored the degree to which you and Novotny talked directly to each other, completely bypassing both the Soviet trade mission in Washington

and our embassy in Moscow. That was also very unusual in the Soviet times for anyone at the working level of the Soviet government to have that sort of a direct relationship with a counterpart in the U.S. Government. Could you talk about that, the fact that you and Exportkhleb had some extraordinary authorities, you had some extraordinary permissions to interact with foreigners at that time. I remember that very, very sharply when we realized that you and Don Novotny were talking back and forth and that only as a courtesy did he - in fact, I think Don didn't tell us, it was you that called us and talked to us and informed us that you'd been talking to Don.

BANNIKOV: Well, simply, it is better for all the parties concerned to deal directly when it comes to trading, market information and especially execution. But I don't think we had special permission or whatever; we simply acted that way and I took a line, I placed a call and what the heck, even much earlier we had extremely good dialogue with your predecessors and Weyland Beeghly, to that effect, and asked, for example, Alan Trick. Long, long time ago we visited him with Viktor Pershin or Pavel Sakun in his yellow building and we were invited to previews of the movies so we had a very free, open and friendly discussion, surprising for the time, surprising. [Bannikov's Note: Also with Geoffrey Wiggin, Mike Fay, Bob Walker, and many others. Interviewer's Note: Along with Al Trick and Weyland Beeghly, these are all past agricultural officers representing USDA at the American Embassy in Moscow.] And with USDA not so very often but indeed we had a direct dialogue not only with Don Novotny who was extremely instrumental in all our relations, but with Roy Barrett, God bless his soul, at the time when there was a possibility he was helpful in arranging agreements on plant protection and quarantine, not only with Russia but with all republics. Thanks to the joint effort and open exchange of information a long list of weed seeds not allowed under our purchasing contracts was substantially shortened. At that time Steven McCoy, who also passed away, was in charge of NAEGA and participated directly in this process and some other people in USDA whom we dealt with, Bob Davis in Savannah and so on. You probably don't know but with Bob Davis that was mostly on finding safe, reliable and economical fumigants because in mid-1970s we had a huge problem because more than 30 percent of grain at one time which arrived from the States was infested.

So, where did I finish?

Q: You were talking about infestation, 30 percent of the shipments were infested.

BANNIKOV: So Bob Davis made, I think, a few trips with scientists onboard from Savannah and from U.S. Gulf, to the Black Sea ports with scientists onboard installing insect cages. [Bannikov's Note: With live weevils at different stage of development, gas lines, tubing system and motors with fans (so-called J-system or TARS which proved to be much more effective than the surface application of the packaged phosphine formulations).] It was an extremely complicated but helpful undertaking which solved the problem and infestation decreased to probably one or two percent because in three to five days lethal concentrations of phosphine were reached and all insects including hidden insects were killed. [Bannikov's Note: Thanks to in-transit insect control (ship hold fumigation using recirculation system). coordinated joint scientific efforts involving U.S.

scientists and experts from the Soviet Ministries of Procurement, Foreign Trade, Agriculture, Health, Merchant Marine and VNIIZ as well as similar in-transit fumigation trials of grain from Argentina and France. I arranged and witnessed these trials in the U.S. and French ports and met respective vessels on arrival in our ports. Subsequently we incorporated requirement for such preventive fumigation in all purchasing contracts and USDA included it in IFB (invitations for bids).] So Bob Davis was there, let's see, and then even general sales manager, while we - since we were authorized by the government, even beyond 1991, when we were already a joint-stock company, Christopher Goldthwait authorized the Exportkhleb until 1994, 1995 to act as... Granitex was the shipping agent and we were the buying agent so Exportkhleb, in particular, holding tenders with the USDA and placing invitations for bids and combining commodity with the freight tenders carried out by Granitex and we saw that we could have the best connection. [Bannikov's Note: This tandem proved to be quite effective. I was a member of Russian Federation-U.S. working group which monthly reviewed the U.S. Food Aid deliveries and related issues. Remember unexpected problems with cases of heavy contamination of U.S. soybeans with various weed seeds. Besides a good percentage of U.S. rice arrived to Far East with lumps of spoiled defective rice which somehow could not be detected in the bags by our grain inspectors by probing. [Interviewer's Note: Christopher Goldthwait was at the time General Sales Manager at USDA's Foreign Agricultural Service.]

Q: You were in Exportkhleb during the Carter Administration grain embargo,?

BANNIKOV: Not only with Exportkhleb, I was on the spot serving as its representative in Amtorg Trading Corporation, in New York City.

Q: Okay, could you talk about that? The grain embargo and how you dealt with it and what impact it had and just any recollections you can share.

BANNIKOV: Now I believe in the long run embargo unmistakably boomeranged and because immediately we opened other alternative markets like - nothing new but we concluded LTA with Argentina, with Canada, Europe, Australia, and naturally we lost - not we but Soviet Union lost something because a lot of tonnage was already on the way across Atlantic so it had to be rerouted and rechartered elsewhere, which we did generally with Sovfrakht having sole chartering right. By the way Exportkhleb was sitting on the fourth floor of the MFA building at the time and Sovfrakht, the chartering agency, was sitting also on the same floor so when I needed a vessel I simply went to room number four one five at the time and the problem was solved. But it was very intelligently done by Sovfrakht primarily and actually we, at the time, already consummated business to these alternative origins and immediately the share of U.S. shipments in our imports decreased by 10, 15 percent. It was about 33-40 percent and it fell to 25 percent and stayed that way but later on it picked up. And I was there on the spot working in Amtorg Trading Corporation based in New York. Embargo had a personal impact on me as my daughter could not come to the States when I was stationed there. A pity!

Q: So you were in New York at the time.

BANNIKOV: I was in New York at the time as an Exportkhleb authorized representative. In fact, I was not buying but participated in the talks with USDA, with all shippers, stevedoring and fumigation companies and visited their headquarters; supervised loadings and actual quality in many ports. I was officially nominating tonnage to U.S. shippers, real tonnage, to execute contracts and distributed freight in most optimal way between the loading areas USNH, U.S. Gulf, Pacific Northwest and certain elevators and trying to arrange loading as much as possible by the deadline set by the embargo. It was allowed to complete loading of the vessels which were already at the berth or under spot but I think we managed to load a little bit more.

Q: The embargo permitted shipments up to the maximum stipulated in the LTA and you shipped up to - because there was a range within the LTA of four to six million tons or six to eight million tons or something like that; I don't remember the exact-

BANNIKOV: At the time it was more, it was already more, it was 10 to 12. [Bannikov's Note: Actually, at that point already 12 to 14.]

Q: Ten to 12 million, okay. So you shipped up to the 12 million maximum.

BANNIKOV: No, what I meant, from a certain moment it was Black Friday, all shipments, whether it was five or six or seven million tons out of 10, 12 have to be stopped. So we never overfulfilled it. But the technical requirement, whether the vessel is started loading or not yet loading but were at the berth so that created a leeway so that technically it could be loaded before the real embargo takes place. It's not a question that we over fulfilled - lifted more than LTA agreed.

Q: One of the campaign promises that Ronald Reagan made when he was running for president was that he would lift the embargo and that was one of the things that Secretary Block pushed very hard for when he became secretary of agriculture. Were you involved in that in any way? Was there any sort of a diplomatic pressure brought on the United States to lift the embargo or did you simply not care, you already had your supplies from other origins?

BANNIKOV: Well, I don't think Exportkhleb was such a push, made any actions later, approaches or letters, no; not even minister probably of foreign trade. The embassy trade representative for sure and the grain community in the United States naturally, were against it.

Q: Sure. Farmers and farmer organizations.

BANNIKOV: And the farmers, definitely. But you were right to say we tried as much as possible to even bypass the embassy and the trade representation and deal directly with the USDA and the companies to make things easier for a number of reasons.

Q: Any other reminiscences, comments, Gene? This has all been absolutely fascinating. Any other comments on the transformation of grain trade over the years from your perspective of having watched it since 1963?

BANNIKOV: Well, I believe you know yourself the present status of the grain industry. [Bannikov's Note: For 85 years of existence Exportkhleb reached fantastic turnover— one BILLION tons, out of which one quarter was export operations. Expressed in hopper cars it will circle the globe more than 5 times or cover ½ distance from the Earth to the Moon. By the way this year RGU awarded me a medal for development of grain industry in this country. Unfortunately USDA completely forgot about me. Joke.]

Q: Yes, Russia's the third largest exporter of wheat this year, this season, and is a major player in grain markets again but as an exporter, not as an importer.

BANNIKOV: Yes, it's surprising, as I started in the beginning, that Russia managed to export over 18 million tons, twice as much as the whole Soviet Union, with all the ports at their disposal ever shipped, and there were 19 ports used to import grain from worldwide and in some of the ports like Leningrad and Odessa, 10, 12 discharging berths were used. Can you imagine? Ten berths. And well, this year we are going to have about 90 million tons crop, maybe a shade more, weather permitting, with the consumption of 69, 70 million tons and a million, million and a half for animal feeding. The potential for export is over 15 million tons, 15 to 18 million tons, which could be a repetition of the record we set five years ago.

Naturally, there are some problems, we have problems with the certification, cost of certification in Russia is a few times more expensive than in Ukraine, for example, and the shortage of hopper cars is acute and it will be more acute this year because some hopper cars will be written off and new hoppers are coming very slowly. And while competition, well, I don't speak about competition, we'll have an edge, we'll have an edge and according to Mr. Gordeyev [Interviewer's Note: Alexei V. Gordeyev, Minister of Agriculture of the Russian Federation at the time of this interview] we could export 20 million tons or more.

Q: It's possible?

BANNIKOV: It's possible. And the time will come when Russia is going also to export meat and meat products in the not too distant future. It's one of the, it's a small secret, statements Zlochevskiy made. [Interviewer's Note: Arkadiy L. Zlochevskiy, President of the Russian Grain Union and co-founder of OGO, a major Russian grain trading company.] He's convinced about it.

Q: I'll wait and see on that.

BANNIKOV: Well, when I was in Holland I was the first to start importing not grain but poultry. It all started in 1968, or thereabout. It was when we imported huge quantities, all of a sudden, like in 1972 grain, from France, from Netherlands, and it was during all the

poultry processing in the Netherlands and we bought a lot, we bought a lot. And then Exportkhleb also, by the way, participated, was in the top three importing booklets. The problem now is Soyuzkontrakt. [Bannikov's Note: At that time I also represented Prodintorg and Sojuzplodoimport in Amsterdam. In 1998 Exportkhleb participated in the Russian-American Broiler Project aiming to set up a large broiler complex. Part of our proposal consisted of the Ibberson feed plant. Unfortunately we were not awarded the winning place. And then Exportkhleb also started to import chicken legs being among the top three major importers after Prodintorg and Soyuzkontrakt.]

Q: Yes, that was in the 1990s.

BANNIKOV: We're also importing meat and meat products but that is discontinuing.

Q: Well Gene, thank you very much.

BANNIKOV: It's my pleasure.

End of interview