

Nixon Sets Grain Inquiry; Step Laid to Agnew Error

NYTimes

By E. W. KENWORTHY
Special to The New York Times

SEP 21 1972

WASHINGTON, Sept. 20—A misstatement by Vice President Agnew apparently led President Nixon today to order an investigation by the Federal Bureau of Investigation into the sale of 400 million bushels of wheat to the Soviet Union.

Yesterday in Minneapolis Mr. Agnew said at a news conference that President Nixon had ordered the F.B.I. to investigate the sale to determine whether grain exporters had made windfall profits out of it.

The Vice President said the investigation was "in progress." However, an F.B.I. spokesman in Washington said that no request for such an investigation had been received.

Today Ronald L. Ziegler, the White House press secretary, said that the President had or-

dered an F.B.I. investigation to determine whether exporters had made "illegal excess profits."

According to sources on Capitol Hill, the President, until Mr. Agnew had made his statement, had had no intention of ordering such an investigation.

Following Mr. Ziegler's statement at his noon news briefing, Representative John Melcher, Democrat of Montana, who is a member of a House Agriculture subcommittee that has held three days of hearings into possible windfall profits by the exporters, said in an interview:

"I have been told that the Vice President's announcement came as a complete surprise to the White House, but that

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a decision was made, with the Department of Agriculture agreeing, that he had to be taken off the hook and backed up.

"We again have a situation where the dog has picked his own fleas as in the Watergate case.

"Regardless of the merits of President Nixon's investigating President Nixon's United States Department of Agriculture, the report will lack credibility. A better approach would be an investigation directed by a blue ribbon panel."

Mr. Agnew said today in St. Louis that he had been thinking yesterday of an investigation already undertaken by the Department of Justice.

However, sources here and other sources with Vice President Agnew said today that he had asked Caspar W. Weinberger, director of the Office of Management and Budget, who also was in Minneapolis yesterday, what he should say at the news conference if asked about charges of "windfall profits" by exporters.

Suggestions by Weinberger

According to these sources, Mr. Weinberger suggested several things and then added facetiously that he might tell reporters the F.B.I. was looking into it since it had a "Business Practices Division." Evidently, these sources said, this stuck in the Vice President's mind.

A source here said that at a morning conference of Secretary of Agriculture Earl L. Butz with his aides, the Secretary was somewhat appalled at what Mr. Agnew had said, but it was decided it was necessary to "cover up" for him. Hence, this source said, Mr. Ziegler's confirmation of the Vice President's statement.

'No Impropriety Whatsoever'

Mr. Ziegler said today that an investigation being conducted by the Department of Agriculture into the sales "has turned up no impropriety whatsoever." He apparently was referring to an investigation by the Commodity Exchange Authority.

Nevertheless, Mr. Ziegler continued, Secretary Butz "suggested to the White House yesterday, specifically to John Ehrlichman [assistant to the President for domestic affairs], that the Department of Justice look into the matter" because of the "charges made on the campaign trail."

This was apparently a reference to charges by Senator George McGovern, the Democratic Presidential nominee. He said that farmers in the early harvest states of Texas, Oklahoma and Kansas, not having been informed of the needs of the Soviet Union for wheat because of a bad crop year and of the magnitude of Soviet purchases, had sold wheat in July at \$1.32 a bushel only to discover a few weeks later that farmers farther north were getting 40 cents more a bushel.

Consequently, Mr. Ziegler said, Mr. Ehrlichman passed Dr. Butz's suggestion on to the President, and the Justice Department was asked by the President to have the F.B.I. inquire into whether "illegal excess profits" were made by

the six principal exporters, whether "any impropriety" was involved or "did any Government official become involved."

Mr. Agnew's announcement and Mr. Ziegler's confirmation occasioned some puzzlement on Capitol Hill today for two reasons.

G.A.O. Inquiry Under Way

In the first place, there are already three investigations going on. There is, first, an investigation of the conduct of the traders and the Agriculture Department by the General Accounting Office, the investigative and auditing agency of Congress. This inquiry was requested by Representative Pierre S. duPont 4th, Republican of Delaware, two weeks ago.

Second, an investigation, requested by Representative Benjamin S. Rosenthal, Democrat of Queens, is being conducted by the Justice Department into possible violation of the conflict of interest laws by Clarence D. Palmby, former Assistant Secretary of Agriculture for a International Affairs, and Clifford G. Pulvermacher, former head of the Agriculture Department's Export Marketing Service.

Mr. Rosenthal's request stemmed from the fact that both men accompanied Secretary Butz to Moscow last April for preliminary discussions with Soviet officials on a possible Government credit for purchases of grains from private dealers.

In June, a few weeks before President Nixon announced on July 8 the \$750-million sale of grain over three years, Mr. Palmby resigned to take a position as vice president of the Continental Grain Company, and Mr. Pulvermacher resigned to become the Washington representative for the Bunge Corporation. Both companies sold grain to the Soviet Union.

Another Investigation

Third, there is the investigation by the department's Commodity Exchange Service. This investigation presumably will

seek to discover whether the exporters had information of Soviet intentions through sales made before President Nixon's announcement on July 8, and consequently were able in July to cover much of their commitments by purchases of cash wheat and placing of orders for future delivery. At this point prices were far below what they would be in August after knowledge of the purchases pushed domestic prices up to \$2.10 a bushel.

Yesterday Mr. Palmby told a House Agriculture subcommittee that Continental had sold 150 million bushels of wheat to the Soviet Union three days before the President's announcement, and had sold 37 million more bushels on July 11.

A second reason why there was some mystification about the announcements by Mr. Agnew and Mr. Ziegler was that none of those who have criticized the way the sale was handled—not Senator McGovern, nor any member of Congress, nor the National Farmers Union—have ever suggested any "illegality" by the Department of Agriculture or the trading companies.

The first is that the traders, by having information not available to the farmers in the early harvest states, were able to buy wheat for export at a price of \$1.31 to \$1.32 a bushel—a price that as late as formed the farmers would likely prevail for the whole of the five months of marketing. By mid-August, the price paid to farmers was \$1.51, and by the end of the month it was \$1.65 to \$1.70.

Loss on Domestic Sales

The second charge was that these farmers who made early sales also lost money on sales of wheat for domestic use. On these sales a farmer gets what he was paid plus a Federal "certificate" payment representing the difference between a hypothetical parity price and an average of the prices actually received over five marketing months.

The third charge was that the exporters made a "windfall" by a special export subsidy of 47 cents a bushel granted them from Aug. 25 to Sept. 1 on all transactions prior to the close of business on Aug. 24 for which they had not yet registered for a subsidy.

The department can pay an export subsidy based on the difference between the domestic price and the world price. For two years the department had been trying to keep the export price of United States wheat at \$1.63 to 1.65 a bushel, and had assured the export companies that they would get a subsidy based on this price for their sales to the Soviet Union, which were at this level.

However, on Aug. 25, with

domestic prices mounting daily under the impetus of the Soviet purchases, the department decided it could no longer afford a subsidy of the \$1.63 base, and would henceforth pay the difference between the actual world price and the domestic price.

But it also decided it would be only fair to pay the traders a subsidy on former transactions not yet registered for subsidy that would represent the difference between the old base of \$1.63 and the domestic price of \$2.10 on Aug. 24—47 cents.

During the five days allowed for claiming this special subsidy, 280 million bushels were registered, amounting to a total of \$132-million.

The charge of a windfall was based in the belief that some of this grain was bought at prices far below \$2.10.

Yesterday Mr. Palmby said that Continental had received the 47-cent subsidy on 71 million bushels of the 188 million bushels it sold to the Soviet Union. But he also said the department's announcement of change of policy on Aug. 25 caught the company 70 million bushels short of its commitments. This, he said, would have to be bought at the going price of \$2.10. He did not say how much of the wheat getting lower subsidies earlier had been bought in July at about \$1.32.

The critics have never contended that the companies violated the law by buying as cheaply as they could, or that the department violated any law by paying subsidies authorized by the Commodity Credit Corporation Act.

They have simply contended, first that the farmers were not given the information that would have enabled them to hold their wheat for higher prices, and second, that the department of Agriculture did not need to assure the exporters of a subsidy so that they could sell at \$1.63.

Representative Neal Smith, Democrat of Iowa, said yesterday that since the Soviet Union was short of wheat and the United States had the only available supply, the Soviet Union would have paid a far higher price and no subsidies would have been necessary. Secretary Butz, he charged, was "hoodwinked" by the Soviet Union and the United States exporters.