SFChronicle JUL 10 1973

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New Charges In Soviet Wheat Deal

Washington

The General Accounting Office charged Agriculture Department officials yesterday with mismanagement of last year's massive wheat sales to Russia and said that excessive export subsidies and high American food prices had resulted.

The department's export officials were accused of failure to keep abreast of market conditions and failure to demand information on the scope of the huge grain deal.

"Consumer costs attributed to the sales included higher prices for bread and flour-based products, increased prices for beef, pork, poultry, eggs and dairy products resulting from higher costs for feed grains and a severe disruption of transportation facilities with attendant higher costs and shortages or delays in delivering certain supplies," the report said.

A total of 440 million bushels of wheat, about one-fourth of the U.S. crop, was sold during a two-month period last year by private grain dealers to a Soviet trade mission.

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"Agriculture is committed to pay over $300 million in subsidies on the Russian and other export sales," the report said. The GAO believes many of these sales would have been made even with reduced subsidies and that the Agriculture Department should have responded more rapidly to the available information and reduced or eliminated the subsidies sooner.

The subsidies were finally ended in September, 1972.

The GAO report criticized the department's handling of the grain deal on several points, including the following:

● Department regulations permitted grain dealers to speculate in the subsidies by delaying registration of sales until rising domestic prices forced the government export subsidy payments upward. The subsidies were intended to make up the difference between a low export price and higher domestic prices.

● The Agriculture Depart-

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ment expert officials used the subsides to keep export prices low despite steadily accumulating evidence that the United States was the only country with large available supplies last year.

● Although the export marketing service lacked a statistical analysis group of its own it failed to take advantage of the more than 200 economists and analysts in the Economic Research Service and the Foreign Agricultural Service.

● Agriculture officials made no effort to inform themselves of the size of the traders' dealings with the Russians and thus the amount of subsidies that they were committing the government to pay.

"Agriculture made a commitment to exporters to support the target price levels without knowing about the magnitude of Russian sales, and officials told us in September 1972 they were still unaware of the magnitude of sales made by the trade," the report said.

There have been reports, however, that at least one big grain company, Continental, unofficially told Brunthaver of the magnitude of its sales to the Russians at a time when it received a commitment from the official that the department would continue to pay enough subsidies to keep export prices at $1.63 to $1.65 a bushel.

As word of the massive sales reached commodity markets in early August, domestic prices began rising sharply, thus forcing export subsidies upward. They reached a high of 47 cents a bushel in one big week, August 25 to September 1, after which all subsidies were eliminated.

About $128 million of the $300 million total subsidies were claimed during that week. This indicates that the dealers had been holding back their registrations to take advantage of the escalating subsidies.

New York Times