

AGNEW SAYS NIXON BADE F.B.I. LOOK INTO WHEAT SALES

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Asserts Democrats Employ
Innuendo to Depict Deal
as a New 'Watergate'

NYTimes

EX-OFFICIAL DENIES ROLE

Executive Says He Had No
Part in Talks With Soviet
After Leaving Office

By The Associated Press

MINNEAPOLIS, Sept. 19—
Vice President Agnew said today that the F.B.I. had been ordered to investigate the \$750-million sale of American wheat to the Soviet Union.

Mr. Agnew accused the Democrats of trying to use the wheat deal as "another Watergate," referring to the June break-in at Democratic headquarters in Washington, by spreading innuendoes about it. He said President Nixon had ordered the wheat investigation to answer questions being raised.

Disclosure of the inquiry by the Federal Bureau of Investigation came in a news conference by Mr. Agnew.

Senator George McGovern, the Democratic Presidential nominee, has accused the Administration of feeding tips to big grain companies, allowing them to profiteer at farmers' expense.

Profit Inquiry Ordered

"The Federal Bureau of Investigation has a business-fraud and business-practices unit that has been asked by the President to look thoroughly into this matter," Mr. Agnew said, "to investigate the profits of these big grain exporters that you refer to, to see whether anyone has taken any undue profit, due to any misinformation or improperly revealed information on the part of the Federal Government."

"That investigation is in progress," the Vice President said.

However, a spokesman at F.B.I. headquarters in Washington said no request for such an investigation had been received by the bureau, but said such a plea would go first through

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the Justice Department.

Role in Talks Is Denied

By E. W. KENWORTHY

Special to The New York Times

WASHINGTON, Sept. 19—
Clarence D. Palmby, a former Assistant Secretary of Agriculture, denied "categorically" today that he had had any part in negotiations between the Continental Grain Company and the Soviet Union after he had left the Government to join the company as vice president.

Mr. Palmby accompanied Secretary of Agriculture Earl L. Butz to Moscow last April for preliminary discussions on Government credits for the purchase of American grain. The discussions came to nothing at that time because the Soviet Union wanted a long term, low interest loan, and under the law, the Commodity Credit Corporation could give credits for only three years at 6½ per cent interest.

On June 7, Mr. Palmby resigned as Assistant Secretary for International Affairs, and the next day joined Continental. On June 28 a Soviet delegation came to Washington to renew negotiations on credit terms. At the same time another delegation began negotiating with grain dealers on purchases. On July 8, President Nixon announced that the Soviet Union had agreed to buy \$750-million in grain over three years on American credit terms.

Largest Seller

Before the month was out it became known that Continental was the largest seller of wheat to the U.S.S.R.

By mid-August there were complaints from farmers in the early harvest wheat states who had sold their crop at \$1.32 a bushel, unaware of the magnitude of the Soviet purchase, which was pushing prices to farmers up to \$1.51. By the end of the month farmers were getting \$1.65 to \$1.70.

Some members of Congress and the National Farmers Union raised questions of possible conflict of interest on Mr. Palmby's part.

Today Mr. Palmby protested to a House Agriculture subcommittee against "the shameful defamation" of character he had undergone.

Besides denying that he had had any part in the company's negotiations with the Russians from June 30 to July 11 and later in the month, he told the Subcommittee on Livestock and Grains that he had not discussed the Soviet purchases with company officials to avoid possible conflict of interest.

Furthermore, Mr. Palmby said that any statement to the effect that he had had "prior knowledge of the Soviet's intention to purchase grain from the United States and promptly carried that information to my new employer" was "an outright lie."

5 Million Tones

He told the subcommittee that Continental had negotiated contracts on July 5 to sell four million tons of wheat and 4½ million tons of feed grains to the Soviet Union, and a further contract on July 11 for an additional million tons of wheat.

The five million tons of wheat totalled about 189 million bushels. Total purchases of wheat by the U.S.S.R. are estimated to be 400 million bushels.

Mr. Palmby said the contract price was in the area of \$1.63 to \$1.65 a bushel. This was the export price the Department of Agriculture was trying to maintain through a subsidy payment designed to keep American wheat competitive in the world market. The subsidy was the difference between the domestic price and the world price.

Some subcommittee members were surprised to hear that Continental had contracted for a sale of four million tons of wheat three days before the President announced the deal. At the time of the announcement, Secretary Butz said it was expected that most of the grain purchase would be in feed grains. Later he said the department was completely surprised by the magnitude of the wheat purchases.

Later, W. B. Saunders, vice president of Cargill, Inc. told the subcommittee that his company had sold 2 million tons of wheat to the Soviet Union—half on July 10 and half on Aug. 1.

Both men, in response to questions, acknowledged that their companies had started to cover the sales by purchases of early harvest wheat. Both declined to say what they had paid.

Earlier, Representative Neal Smith, Democrat of Iowa, criticized the grain deal on the ground that had been touched on only briefly in the first two days of the hearings—namely, that the Soviet Union and the exporters together had, as Mr. Smith charged, hoodwinked Secretary Butz.

Mr. Smith said that because of cold weather and little snow cover, the Soviet Union had heavy losses in winter wheat and that drought later would bring heavy losses in spring wheat.

Consequently, he said, it was obvious that the Russians would have to make large purchases and make them in the United States because Canada and Australia had already committed all their wheat.

Therefore, he remarked, the sales to the Soviet Union could have been made at prices above the \$1.63 point and "without any subsidy" to American exporters.

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