

Butz Now Doubts Advisability Of Aide's Role in Soviet Deal

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By United Press International

WASHINGTON, Oct. 4—Agriculture Secretary Earl L. Butz said today that he would probably have advised a former assistant not to participate in grain negotiations with the Soviet Union last spring if he had known of the assistant's plans to join a private company that ultimately sold wheat to the Russians.

In a hallway interview at the Agriculture Department, he said that his likely advice to the former Assistant Agriculture Secretary, Clarence D. Palmby, would not have been based on any fear of impropriety but "on the appearance" of it.

Both he and Mr. Palmby, who left the Agriculture Department in June to join Continental Grain Company of New York, have denied that Mr. Palmby was guilty of any wrongdoing

in taking part in the Soviet-American grain negotiations in Moscow and then shifting to Continental, a major United States grain exporter, before the deal was consummated.

The Agriculture Department is under fire for its handling of grain sales to the Soviet Union, which could total \$1-billion and involve one-fourth the entire United States wheat

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Continued From Page 1, Col. 8

crop this year.

Democrats have charged that Dr. Butz's department gave large United States grain exporters and speculators inside information that enabled them to sell to the Russians at premium prices at the expense of unsuspecting American farmers.

Dr. Butz said today that he would have "seriously discussed" the advisability of leaving Mr. Palmby out of the Moscow negotiations if he had known then of Mr. Palmby's plans.

He said that he was not suggesting that he would have ruled Mr. Palmby out of the talks, "but I probably would have advised him against it."

"Had I known, I would have seriously discussed with him the advisability of his going," Dr. Butz said. He added that this was not based on any fear of impropriety, but "on the appearance."

"We have to operate in a goldfish bowl," he said.

New Hearings Sought

By E. W. KENWORTHY

Special to The New York Times

WASHINGTON, Oct. 4—Representative John Melcher, Democrat of Montana, called on the House Agriculture Subcommittee on Livestock and Grains today to resume public hearings into the circumstances surrounding the sale of wheat to the Soviet Union.

On Sept. 14, 18 and 19, the subcommittee, whose chairman is Representative Graham Purcell, Democrat of Texas, held hearings to determine whether six large grain exporters had made "windfall" profits from the sale of about 415 million bushels of wheat to the Soviet.

The hearings also sought to learn whether many farmers in early harvest states had lost money by selling wheat at low prices because they had not been told by the Department of Agriculture of the magnitude of the sale.

Today, Mr. Melcher, a member of the subcommittee, said that it had failed to elicit from witnesses from the exporting companies and the Department of Agriculture the answers to many questions that had been raised by critics of the sale.

Mr. Melcher said "answers are needed, and they are needed now," if the public is to get "a clear understanding of just how valuable the Department of Agriculture's tender, loving care has been for the grain traders."

Talmadge Pledges Inquiry

On the Senate side of the Capitol's Senator Herman E. Talmadge, Democrat of Georgia, who is chairman of the Agriculture Committee, said that his committee would conduct a

thorough and bipartisan investigation into the "disturbing questions" raised by the sale "as soon as possible after the election on Nov. 7."

Meanwhile, there were these other developments involving the controversial sale of wheat made with the aid of Federal subsidies to the exporters:

A bill to reimburse farmers in part for losses sustained through sales of wheat at low prices was not acted upon by the Senate Agriculture Committee for lack of a quorum. The Senate committee rejected a similar bill two weeks ago. The House Agriculture Committee has approved a reimbursement bill. Final action this session is now unlikely.

Government sources said that an agreement with the Soviet Union would be announced shortly under which one-third of the grain purchased by the U.S.S.R. would be shipped in American-flag vessels, one-third in Soviet vessels and one-third in third-country ships.

Following are the questions

that Mr. Melcher said "must be answered before the public ever gets the complete story behind the Russian wheat deal" and the reasons behind the questions:

¶"For every purchase of wheat to fill the Russian sales contracts, what was the price paid by the grain companies and on what dates?"

According to the testimony of Clarence D. Palmby, who resigned as Assistant Secretary of Agriculture on June 7 to become vice president of Continental Grain Company, the Soviet Union bought all the wheat for about \$1.63 or \$1.65 a bushel.

According to reports from the early harvest states of Texas, Oklahoma and Kansas, many farmers sold wheat in July at \$1.25 to \$1.35 a bushel, unaware of the size of the Soviet purchases.

Mr. Palmby and W. B. Saunders, vice president of Cargill, Inc., another major seller, both testified that their companies began covering their commit-

ments by cash purchases as soon as the first contracts were concluded with the Russians, between July 5 and July 11. But they refused to say how much cash wheat was purchased in July and for what price.

As late as July 31, the Department of Agriculture was advising wheat farmers that the average price they would receive for the year was likely to be no more than \$1.31 a bushel. By mid-August, the farmers were receiving \$1.51 and by the end of the month about \$1.70.

¶“What futures trading was done by these grain companies subsequent to their sales to the Russians?”

Mr. Palmby and Mr. Saunders told the subcommittee that their companies had covered part of their commitments by futures contracts — contracts for future delivery at a certain price. They said that futures contracts had been reported to the Commodity Exchange Authority of the De-

partment of Agriculture, but they said that they were opposed to having them made public.

¶“On what dates and for how much wheat at what price per bushel were the wheat purchases registered with the Department of Agriculture for the export subsidy?”

On wheat, exporters get a subsidy representing the difference between the domestic price and the world price.

Delay in Registering

The Department of Agriculture, Mr. Palmby testified, assured exporters that a subsidy would be paid between the “target” export price of \$1.63 a bushel that the department had been trying to maintain (the same price paid by the Russians) and the domestic price, even though the domestic price rose under the impact of the Soviet purchase.

However, exporters are not required to register for a subsidy at the time of a sale. They can wait until the grain

is shipped, taking a chance that the subsidy will be larger then.

Consequently, critics of the deal have charged that the exporters could have made a windfall on sales made in July (when the subsidy was about 12 to 15 cents a bushel) by waiting to register for the subsidy in late August, when the subsidy jumped to 38 cents and then to 47 cents a bushel.

Mr. Palmby testified that Continental registered for subsidies on 55 million bushels at 13 to 15 cents a bushel between July 12 and 20; on 50 million bushels at 31 to 36 cents between Aug. 9 and 15 and on 71 million bushels at 47 cents in late August.

But he did not say when the sales had been made and what the subsidy then was as contrasted to the subsidy when registered.

¶“Why did not Mr. Palmby notify Secretary [of Agriculture Earl L.] Butz of his purchase of a New York City apartment prior to leaving for

Russia as head of the American trade delegation?”

Mr. Palmby testified on Sept. 14 that he had received a job offer from Continental “around the first of March,” but did not take it “very seriously.” He left for Moscow with Mr. Butz on April 8, and—following another offer—informed Mr. Butz on May 12 that he wished to resign. He submitted his resignation May 23 and joined Continental on June 8, a month before President Nixon announced the grain deal.

On Sept. 25—after being questioned by a Columbia Broadcasting System reporter about purchase of a New York apartment on April 5, three days before leaving for Moscow—Mr. Palmby wrote Representative Purcell, saying that he would like to add “supplemental details” to his earlier chronological account.

He said that in early March “after an approach from the president of Continental Grain Company [Michel Fribourg],” he and his wife had spent

“several hours in New York looking at apartments.” He said that they had found an apartment that would be available in late July, and they decided that whether I accepted the Continental offer or not, we were prepared to move to the seat of the world trade in the United States.”

He also said in his letter that he had furnished as credit references the names of four officers of Continental who “were aware of Mr. Fribourg’s invitation to me to join Continental.” But he insisted that he had not made up his mind to join the company until the evening of May 11.

Mr. Purcell has written to Harold J. Richards, the man who sold the apartment to Mr. Palmby, asking whether Mr. Palmby had stated “his employment prospects” when negotiating the purchase.

Mr. Melcher and Mr. Purcell think that this is important to determine whether there was a conflict of interest on the part of Mr. Palmby.