

Windfall Profits in Soviet Wheat Deal



Jack Anderson

A HANDFUL of giant grain companies reaped \$333 million in federal subsidy payments at the same time that they were making windfall profits from sales in the Russian wheat deal.

The massive sales profits grabbed off by the wheat barons have already been documented; the traders bought cheap on the basis of private information, then sold dear when the magnitude of the deal drained wheat supplies. Their shenanigans helped drive up the prices of meat, dairy and bakery goods.

Now, the Senate Investigations Subcommittee under Senator Henry Jackson (Dem-Wash.), has documented how the grain merchants chiseled the taxpayers through subsidies.

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A SECRET staff memo asserts that "the export subsidy program cost American taxpayers \$333 million in agricultural subsidies in connection with the Russian grain deal."

Under the export subsidy system, the government pays the U.S. seller the difference between the high price he could get in the U.S. market and the lower price he would get from the foreign buyer.

For example, if the seller could get \$3 a bushel in the United States, but only \$2.75 in Europe, the government pays the U.S. seller 25 cents a bushel. The government promotes such deals to improve our balance of trade and bolster the dollar.

At the time of the Russian wheat deal late last summer, subsidies had soared to 47 cents a bushel — the difference be-

tween the U.S. price of \$2.10 and the foreign price of \$1.63. The Jackson memo details how the grain companies used this situation to collect massive amounts in subsidies by clever manipulation.

"For example, we have information that one company (Cargill) sold wheat to its wholly-owned South American affiliate (Tradex-Panama). The company collected the subsidy when it showed proof of shipment to its affiliate.

"The affiliate then sold the wheat to another affiliate in Geneva which thereupon made a final sale for \$2.20 (a bushel) or 10 cents above the American price."

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IN OTHER words, Cargill sold wheat to its affiliate in order to cash in on the high subsidy. Then Cargill made a profit when its affiliate sold the wheat. The profit was recorded by the foreign affiliate, and sheltered from U.S. taxes.

"As far as we can tell," Jackson's investigators marveled, "the wheat never left the ship on which it was originally loaded, and all transfers were mere paper transfer.

"This practice was repeated numerous times as (the Department of Agriculture) blindly maintained unnecessary subsidies which pushed up the price of wheat and ultimately the retail cost of food to the American taxpayer."

Jack Anderson will be away for a few days. This column was written under the direction of Les Whitten of Anderson's staff.