

Butz, Aide Deny Knowing Of Tip to Grain Exporters

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WASHINGTON, Sept. 14—Secretary of Agriculture Earl L. Butz and his Assistant Secretary for International Affairs told a House subcommittee today that they had no knowl-

edge of any telephone calls by a department official telling exporters about an impending change in export subsidies on sales of wheat to the Soviet Union.

Their testimony appeared to conflict with remarks by the official involved, made in conversation with reporters earlier this week.

They testified at a hearing of the Subcommittee on Livestock and Grains, which is inquiring into possible windfall profits by international grain operators arising from the \$750-million United States-Soviet grain deal.

6 Exporters Involved

Representative John Melcher, Democrat of Montana, asked Secretary Butz whether Charles W. Pence, an official of the department's Export Marketing Service, made calls to the grain exporters on Aug. 24. That was a day before the department announced that in the next week it would grant a special export subsidy of 47 cents a bushel on transactions already completed but for which subsidies had not yet been registered.

Critics of this special subsidy contend that six principal grain exporters may have made a windfall profit approaching \$92-million on this special subsidy.

In reply to Mr. Melcher's question, Dr. Butz said that he was not aware of any such deals. A moment later, in response to the same question, Carroll G. Brunthaver, the

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Assistant Secretary, said, "I do not know."

When Mr. Melcher asked whether such advance information would have been advantageous to the grain dealers, Mr. Brunthaver said at first, "I don't think it would have been advantageous." He then amended his answer to say that, if these companies had learned of the impending change in the department's policy of business on Aug. 24, "it would have been helpful."

Last Monday, Mr. Pence readily acknowledged to a reporter for The New York Times that he had made such calls on instructions relayed to him from Mr. Brunthaver.

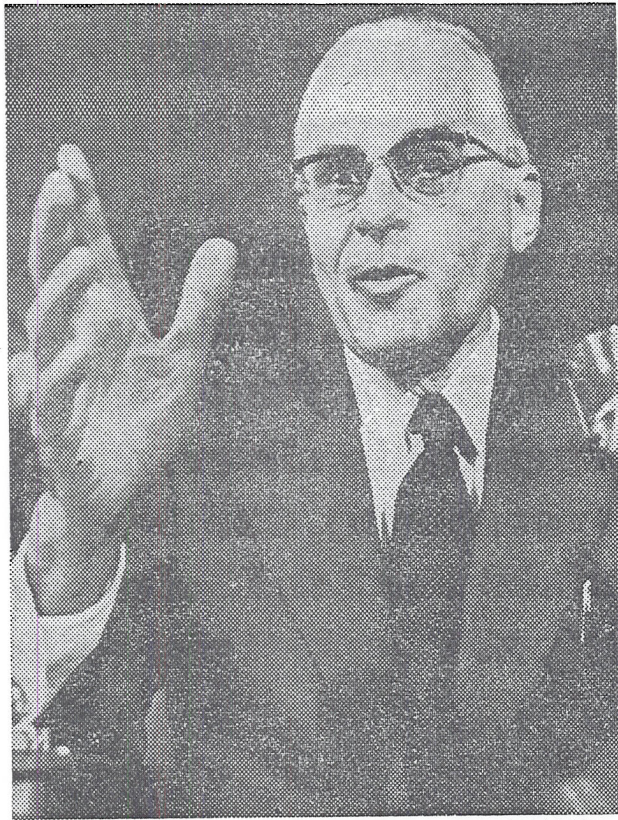
China Sale Confirmed

Before the subcommittee session today, the Department of Agriculture confirmed reports of yesterday that mainland China would purchase 400,000 tons of American wheat, almost 20 million bushels.

In the hearing, Secretary Butz said that he understood the transaction was being handled by an international, French-based grain trading company. He and Mr. Brunthaver said that the department first gained knowledge of the projected sale when the company registered last Monday for an export subsidy on the sale.

Neither official mentioned the name of the company, which is known to be the Louis Dreyfus Corporation, a French-based concern with offices in New York City. Even though it is a foreign company, it qualifies for export subsidies if it purchases American wheat and sells it abroad.

At the end of the hearing today, Representative Graham Purcell, Democrat of Texas, who is the subcommittee chairman, asked Secretary Butz to make Mr. Pence available for



Associated Press

Earl L. Butz, Secretary of Agriculture, telling a House subcommittee about sale of wheat to the Soviet Union.

questioning next Monday.

Although Mr. Pence is the director of the Grain Division in the Export Marketing Service, Dr. Butz said he did not know who he was. At that point, Mr. Brunthaver said that Mr. Pence was to leave this weekend on a trip to Tokyo, Seoul and Taiwan.

This did not deter Mr. Purcell, who said that the subcommittee wanted to question Mr. Pence. At the end, Dr. Butz and Mr. Brunthaver agreed that Mr. Pence would be dropped from the mission and would appear Monday.

Under the 1948 amended

charter of the Commodity Credit Corporation, an exporter may receive a subsidy, called an export equalization payment, to make American wheat competitive in the world market. The subsidy amounts to the difference between the world price and the domestic price, which is higher.

For the last three years the Department of Agriculture has been trying to stabilize the world price at \$1.63 to \$1.65 a bushel, and has therefore been paying a subsidy between that and the domestic price.

Until after July 8, when President Nixon announced the

Soviet-United States wheat deal, the world price was steady at \$1.64. It is believed that the Russians finally agreed to pay that price. Meanwhile, the Department of Agriculture had assured American exporters that it would maintain a subsidy based on this world price.

However, as the Russian purchases rapidly mounted the domestic price climbed, and by mid-August the world price also began to climb, as it became apparent that the Russians purchases were approaching 400 million bushels.

In the third week of August the Department of Agriculture decided that it could no longer honor its promise to the exporters of proving a subsidy between \$1.63 and a domestic price that was to reach \$2.10 by the end of the month.

One-Week Period Set

Therefore, the decision was made to pay henceforth the difference between the actual world price and the domestic price. But Mr. Brunthaver said today that it was believed to be unfair not to honor the promise of a subsidy based on \$1.63 for transactions entered into beforehand but on which the exporter had not yet registered sales for the subsidies.

Consequently, it was decided that, on transactions prior to Aug. 25, the traders would get a subsidy of 47 cents, representing the difference between the basic world price of \$1.63 that the department had been trying to maintain and the domestic price of about \$2.10.

This special subsidy was to be available for registration from Aug. 25 until Sept. 1. The announcement of this subsidy was made late in the day Aug. 25, a Friday.

However, in a telephone interview last Monday with The New York Times, Mr. Pence said that on Aug. 24 he called a number of exporters involved

in sales to the Soviet Union, beginning with the six largest—Cargil, Continental, Bunge, Dreyfus, Cook and Garnack.

Mr. Pence said that, at the direction of Mr. Brunthaver, he had told them, first, that department officials would meet with the exporters the next day to find out how much they had sold to the Russians, and, second, that Mr. Brunthaver wanted them to know that the Government could no longer try to maintain a world-price at \$1.63 and pay a subsidy based on it.

Both Prices Rising

Henceforth, the subsidy would be paid on the difference between the true domestic and world prices, both then climbing rapidly.

"Immediately," Mr. Pence said, "some [representatives of the companies called] began talking about whether there would be a two-tier system." By this was meant a subsidy paid on contracts up to Aug. 25, and then a new subsidy system thereafter.

Mr. Pence said he had told them he had no knowledge of this. But he conceded that he had already heard from sources in the trade that this was what the department had in mind, "even before I knew it."

The crucial question then was the time at which Mr. Pence made his calls. In interviews with reporters today, he said that he made them to the six principals before noon on Aug. 24 — a day before the planned meeting.

This meant that they had until late afternoon to conclude as many transactions as possible on which they could register for subsidies under the old plan. On Aug. 24, the subsidy being paid was 38 cents, and the exporters were guaranteed at least that much on prior contracts. As it turned out, they received 47 cents.