

Butz's Agency Says Aide Notified Grain Exporters

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WASHINGTON, Sept. 15—The Department of Agriculture acknowledged today that on Aug. 24 one of its officials called the six principal companies selling wheat to the Soviet Union and gave them 24-hour advance notice of a change in the Nixon Administration's policy on export subsidies.

However, the department said, "The exporters who were notified by phone on Aug. 24 would not find this information to their advantage since they were told on Aug. 24 that the new policy would be effective retroactively to the close of business of the previous day, Aug. 23."

The official who made the calls was Charles W. Pence, director of the Grains Division in the department's Export Marketing Service.

After the department gave its explanation, Representative John Melcher, Democrat of Montana, said, "This was not what Mr. Pence told several reporters, and the subcommittee will explore this further Monday, when Mr. Pence appears before it."

The issue came up yesterday in the first day of hearings into possible windfall profits by traders arising out of the \$750-million grain deal with the Soviet Union announced July 8 by President Nixon. Representative Graham Purcell, Democrat of Texas, chairman of the Agricul-

ture Subcommittee on Livestock and Grains, directed Secretary of Agriculture Earl L. Butz at the end of the day to make Mr. Pence available for questioning Monday.

At the hearing Mr. Melcher asked Dr. Butz whether Mr. Pence made calls to the export companies Aug. 24.

Dr. Butz at first replied, "I don't think so," and then added, "Not that I am aware of."

Mr. Melcher then asked Carroll G. Brunthaver, Assistant Secretary for International Affairs, who accompanied Dr. Butz, whether such calls had been made. Mr. Brunthaver replied, "No," but later amended this to "I don't know."

Mr. Melcher then asked Mr. Brunthaver whether advance information on the change of the advantage of the export companies. Mr. Brunthaver at first said, "I don't think it would have been advantageous to anyone." He amended this to say that if the companies had acted on such information

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to conclude contracts before the close of business on Aug. 24, "it would have been helpful."

What neither Dr. Butz nor Mr. Brunthaver knew then but learned later was that Mr. Melcher and three reporters, including one from The New York Times, had been told by Mr. Pence that he called the six principal companies — Continental, Bunge, Cargill, Cook, Dreyfus and Garnack—before noon on Aug. 24.

Mr. Pence had told the reporters that he had informed the company representatives that there would be a meeting with the exporters at the department the next day, Aug. 25, at which Mr. Brunthaver would inform them that the department could no longer pay as high an export subsidy as before.

The subsidy is designed to help exporters sell American wheat at competitive prices in the world market, where the going price is lower than in the United States market. The subsidy being paid was the difference between the world price of \$1.63 to \$1.65 a bushel that the department hoped to maintain and the domestic price, which was rising rapidly and reached \$2.10 by the end of August.

Mr. Pence also told the reporters that he had made the calls, on the instructions of

Mr. Brunthaver, relayed to him by Frank G. McKnight, the second-ranking official in the Export Marketing Service.

The timing of the calls is important in view of what the department had in mind.

3-Year Effort Made

Under Federal law, the department can pay an export subsidy or "equalization payment, to an importer to make United States wheat competitive in the world market. In calculating the difference between the world price and the domestic price, the department includes the storage and shipping costs to base points.

For the last three years, the department has been using the subsidy in an effort to maintain world prices at about \$1.63 to \$1.65 a bushel. The price paid by the Soviet Union is believed to have been about \$1.63, and the department promised to pay a subsidy based on this price.

In mid-August, domestic prices soared under the impact of Soviet purchases of 400 million bushels, and the subsidy correspondingly increased from 14 cents in July to about 38 cents in the third week of August. The department then decided that it could no longer support a subsidy based on \$1.63 and would have to reduce it, basing it on the actual world price, which was also rising.

But the department, Mr. Brunthaver told the Livestock

and Grains Subcommittee yesterday, also felt that it would be unfair not to pay a subsidy based on \$1.63 on transactions that had been completed up to an announced cut-off date but for which the exporters had not yet registered for subsidies.

On Friday, Aug. 25 the department announced that for one week, until Sept. 1, it would pay a subsidy of 47 cents a bushel on transactions completed by Aug. 24. This represented the difference between the base world price of \$1.63 and a domestic price of \$2.10 a bushel.

Mr. Pence said that he had been instructed to call the exporters on Aug. 24 to announce this policy change reducing the subsidy. He told reporters that he had not told the companies that a special subsidy of 47 cents would be paid on transactions completed up to the close of business Aug. 24. He said that he had not known of that decision.

China Deal Qualified

However, foreknowledge at noon Aug. 24 of a change in policy would have given the exporters, as Mr. Brunthaver acknowledged, several hours to get sales in order for registration for whatever subsidy was to be given on prior transactions.

The department's statement today said that Mr. Pence had told the companies that the policy change would be based "retroactively" on sales after

the close of business the day before, Aug. 23.

This, however, is not what Mr. Pence told three reporters in telephone interviews. He told them that he had not informed the companies of any cutoff date for the change of policy because he did not know what it would be.

As to the sale of 15 million bushels of wheat to mainland China, announced two days ago, department officials have confirmed that the dealer, the French-based Louis Dreyfus Corporation, would also qualify for the special 47-cent subsidy.

They explained this decision by saying that the Aug. 25 order provided for registration for the special subsidy until Sept. 1, and allowed five more business days in which to supply verifying information of a sale on which the subsidy was claimed. The company, officials said, asserted that the transaction was completed before 3.30 P.M. Aug. 24, and it supplied the verifying information on Sept. 11, last Monday. This, counting out weekends and holidays, was the last day for verification.

It is estimated that, by getting under the wire on the special subsidy, Dreyfus got a subsidy of about \$5.8-million, roughly twice what it would have got under the change in policy.