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STATEMENT OF SENATOR GEORGE McGOVERN

Duluth-Superior is one of our great shipping ports. From the grain terminals that dot this shore, the abundant American grain production is shipped throughout the world. That foreign grain trade has been dramatically increased over the past several months with the substantial purchases by the Soviet Union. But there seems to be more than the sweet smell of wheat arising from these recent deals with the Soviet Union.

There are growing indications that the giant grain exporters, who in partnership with the United States Department of Agriculture negotiated the Soviet grain trade arrangements, have used their unique access to inside information to exploit unsuspecting farmers who had no idea how large these Soviet purchases were to be. And the actions of the Nixon Administration strongly suggest that we should change the name of the Department of Agriculture to the Department of Grain Speculation.

In April, 1972, Secretary of Agriculture Earl Butz, accompanied by his Assistant Secretary for Foreign Affairs, Clarence Palmby, led a mission to Moscow to negotiate the terms for the purchase of American grains by the Soviets. It was not until July 8th that any official announcement was made concerning the results of those negotiations. At that time, the Department of Agriculture announced that the Administration had extended a $500 million line of credit to the Russians in exchange for their agreement to purchase $750 million of American grains over three years. The announcement implied that the actual shipments to fill those purchases would be spread rather evenly over three years and that other grains--not wheat--would make up the largest portion of the shipments.

Not until early August, when wheat prices began to rise sharply, did it become generally known that the Russians were purchasing as much as 400 million bushels of wheat, one-fourth of the domestic crop, for shipment this year.

The giant grain exporters who were negotiating these arrangements knew this information; the unsuspecting farmers did not. There is now evidence that these big grain companies had quietly gone into the open market during July to buy up as much wheat as possible at the lower domestic prices before the farmers could get wind of the magnitude of the Russian deal. Many unsuspecting farmers from early-harvest states sold their wheat at July prices--about $1.32 per bushel--unaware that if they held their production, prices would rise to current levels of around $1.65.

As one Kansas farmer wrote: "I feel cheated. I read all the advice from the so-called experts, government and private, regarding the future of the wheat price. I sold my wheat at $1.34 soon after harvest. . . They stole a lot of wheat at low price before the price went up. Why wasn't the conditions of this wheat deal made public regarding the amount and price?"

That's a very good question. Why did the Department of Agriculture join in a conspiracy of silence with the giant exporters? Why were the farmers the last to know how big the Soviet purchases were when they could have used that information to hold their wheat for a better price? Why should American farmers be pawns in an international chess game that is rigged in favor of the grain speculators?

Until we know how much wheat was quietly bought-up by the giant grain traders on the basis of this inside information, we cannot know how great the loss has been to the American farmers. But I suspect that it amounts to tens of millions of dollars.

It appears that Richard Nixon's Department of Agriculture is on loan to the giant grain companies. Not since Earl Butz and Clifford Hardin exchanged places at Ralston-Purina has the revolving door of the Department been busier. One month before the public announcement of the Russian deal, Asst. Secretary Palmby, said by a high-ranking Department official to be the man most responsible for the U.S.-Soviet deal, left public service to become vice-president of Continental Grain Company, the largest participant in the Soviet trade. Three weeks later, he was back in Washington, this time talking to the Russian trade officials on behalf of Continental.

Palmby was replaced at USDA by Caroll Brunthaver. Where did he come from? Cook Industries, another of the grain traders involved in the Soviet deal.

Another USDA official accompanying Butz to Moscow was Clifford Pulvermacher, general manager of the USDA export marketing service. In June, he left to become the Washington representative for Bunge Corporation, one of the major participants in the Soviet grain trade. There was a job opening in Bunge's Washington office because

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George Shankin had left in January to become Pulvermacher's assistant at USDA.

Just to round things out, William Pearce, vice-president of Cargill, another of the largest participants in the Russian deal, resigned in December to become the White House's special representative for trade negotiations. Just two months earlier, he had been lobbying the White House on behalf of Cargill to get his company included in the lucrative Soviet trade.

The Nixon Administration has locked the front door of its Agriculture Department to the American people and the American farmer and given the giant grain companies the key to the back door.

Not only have the grain exporters apparently been permitted by their friends at USDA to take advantage of the wheat deal up front with farmers, it also now appears that they may have also managed to squeeze a bit more from the taxpayers. The grain exporters receive an export subsidy from the United States government roughly equivalent to the difference between the domestic price and the lower world price. On August 24th, the Department of Agriculture, under pressure from consumer and baker's groups, announced that they were lowering the high 47¢/bushel subsidy. But there was a kicker to that announcement. August 24th, the cut-off date, was to last a week. The Department gave the grain companies until September 1 to come in and get the high-rate subsidy on any "old" sales to the Russians that they had not yet certified for a subsidy.

August 24th may go down as the longest day in exporting history. More than 280 million bushels of wheat were certified during that grace period, all eligible under Department policy for the 47¢ subsidy. That cost the American taxpayer more than $128 million alone.

"What kills the skunk," Abraham Lincoln liked to say, "is the light of day when hunters are around with shotguns." The entire Russian wheat deal has a bad smell about it. That is why I am pleased that Congressman Graham Purcell of Texas has announced hearings to investigate the entire mess.

I am writing Congressman Purcell to applaud his decision and to ask that his investigation include the following questions:

1.) How much wheat was purchased in the open market by the giant grain companies before the July 8th announcement, and how much was purchased in July after that announcement, but before the farmers knew what was happening?

2.) Did the Administration strike the best deal for the American people with the Russians?

3.) Do the recent movements of high Department of Agriculture officials to and from the big grain companies present conflicts of interest inimical to the interests of the American people?

4.) When was the wheat purchased--and at what price--that was certified by the grain companies during the week of August 24 - September 1? Was there a windfall profit to the companies from the extended 47¢ subsidy?

5.) Did the Department of Agriculture give the exporters private assurances that they would raise the export subsidy to permit bargain-basement sales to the Russians?

The dramatic increase in foreign exports brought about by the Russian purchases is a beneficial and positive step for this country. We should continue to pursue those channels for American agricultural production. It is healthy for the American farmer. It is healthy for the American economy. It is healthy for the American shipping industry and for the men who load the ships. But we can undertake that trade without having our Department of Agriculture grant licenses to profiteer to private companies. Instead, it should be the obligation of the U.S. government and our Department of Agriculture to prevent the American farmer from being short-changed and the American consumer from being cheated.