

Moreover, the same downward drift in international wheat prices has been noticeable in other classes of American wheat and, in one of them, Soft Red Winter wheat, current market prices at the Gulf are below the minimum indicator level of 1.60 per bushel proposed in the new International Grains Arrangement. Again, the basic reason is the same—increased U.S. and world supplies in relation to demand. There is therefore no question in my mind that a new international grain arrangement with prices 23 cents a bushel higher than in the current International Wheat Agreement would give us the possibility of working with other exporters to translate those higher minimums into higher returns for producers.

Sincerely yours,

WILLIAM M. ROTH,
Special Representative.

(The following item was included at the subsequent request of Senator Miller:)

TRADE BLOC SEEKS GRAIN OUTPUT RISE

MOVE WOULD SERIOUSLY CUT NEED TO IMPORT FEED CEREALS FROM UNITED STATES

(By Edwin L. Dale, Jr., Special to The New York Times)

WASHINGTON, July 12.—In a move that could cost the United States millions of dollars of badly needed exports, the European Common Market has quietly set in motion a change in its farm program to increase the production of corn and other feed grains.

This has become known here in the last few days and has caused concern, if not alarm, in both the government and the grain trade.

The move follows the completion of the Kennedy round of trade negotiations, in which the United States won major reductions in the Common Market tariff on industrial goods but relatively little trade liberalization in agriculture.

The Common Market action is a proposal by the Executive Commission in Brussels, still not formally published, to raise substantially the minimum price support levels for corn, barley and rye, without any change in the price level for wheat.

TWO-FOLD RESULT

The result, in the view of both American and European officials, would be two-fold, both elements reducing the huge present European need to import feed grains for cattle and poultry. The United States is by far the largest supplier of these grains, chiefly corn.

First, the higher price support levels would induce European farmers to grow more feed grains, thus cutting the need for imports.

Under the Common Market system of variable levies at the frontier, imports form a "residual" supply, meeting only needs not filled by domestic production.

Second, with feed grains more costly, it would become profitable for some European wheat production to be used as feed for animals rather than for human consumption. This again would cut the need for imported feed grains.

FEED GRAIN DIVERSION

Diversion of wheat for use as feed would reduce the amount available for export by the Common Market, almost all France. But this would not help the United States because French wheat is of a different quality from United States wheat and is sold to markets where United States wheat is not competitive.

Thus, if the proposal is adopted, the United States would lose feed grain exports to the Common Market and would not make up the difference in wheat exports. Total grain exports to the community are about \$500-million a year, mainly feed grains.

The proposal by the Common Market commission still must be approved by the ruling Council of Ministers. It would affect the crop year beginning July 1, 1968.

SHIFT OF EMPHASIS

The Common Market commission is reliably reported to be frankly desirous of changing the "balance" of community agriculture, with more emphasis on feed grain production and less on wheat. The six member nations taken together are huge importers of feed grains, yet not exporters of wheat.