

answer to criticism on this score (namely that the farmers will have to pay back the \$6.7 million themselves by storing more wheat on their farms next winter) is precisely the one argument that the Government is prevented from using for the very same reason that Mr. Hamilton does not wish to have the \$6.7 million included in his own estimates, because it would be an admission that Canada had in fact lowered the price of its wheat to China.

4. To sum up, the recommendations in the Memorandum for Cabinet seem to rest on several false assumptions and fail to take due account of both the unfavourable international political as well as commercial/economic implications for Canada of the proposed deal with China.<sup>57</sup>

N.A. R[OBERTSON]

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PCO

*Note du ministre de l'Agriculture  
pour le Cabinet*

*Memorandum from Minister of Agriculture  
to Cabinet*

CABINET DOCUMENT NO. 12-61

[Ottawa], January 14, 1961

CONFIDENTIAL

WHEAT FOR CHINA

1. There is evidence to believe that China has an immediate, acute food problem. The recent entrance of China into the international wheat and barley markets as a purchaser in volume is evidence of urgent need.

2. The Canadian Wheat Board has had preliminary discussions with representatives of the China Resources Company, a Hong Kong firm that acts as agent for Communist Chinese trade corporations, presently in Canada, in regard to the possible sale of Canadian wheat and barley to China.

3. Australia has sold 300,000 tons of wheat, 100,000 tons of barley and 30,000 tons of flour to China. China purchased Australian wheat at approximately 25 cents per bushel under the Canadian Wheat Board's asking price of No. 2 Northern.

4. The wheat inventory of the Canadian Wheat Board consists predominately of No. 2 Northern with lesser quantities of No. 3 Northern. Grades of wheat such as No. 5 Wheat and No. 6 Wheat are not available in Canada to meet large export commitments. The representatives of China have emphatically indicated that quality is not important as their imported wheat will not be used primarily for breadstuffs (it will be mainly consumed as a form of dumplings).

5. The representatives of China have indicated that they are only interested in Canadian wheat in so far as it could be provided to China in competition with Australian wheat and at prices related to Australian offering prices.

6. It is evident that price will be the principal factor if Canada is to participate in volume in the Chinese market. It would be impractical for the Canadian Wheat Board to lower its selling price for high grade wheat to meet the indicated demand for China. Such a reduction in price would have to apply to all commercial buyers of Canadian wheat and would lead to operating

<sup>57</sup> Note marginale :/Marginal note:

Cabinet decision of Jan. 16 turned down proposal for gifts but authorized exploration of possibility of large sale of mixed grades. R. C[ampbell]