

It had also been suggested to mix and grade the wheat arbitrarily as No. 5 and sell it at No. 5 prices. The Wheat Board had said that it would be difficult to get away with this scheme since the wheat statistics were published every week and were known to all. The scheme would be regarded as a price cut.

12. *During the discussion* the following points were raised:

(a) The possibility of mixing feed wheat with No. 3 grade and reducing it to No. 5 should be explored. This would mean a reduction in the price to the farmer. Should the public of Canada pay for this or the farmers only?

(b) The proposed gift would be less than it would cost the government to pay for storage on the total amount for eighteen months.

(c) It was the general concensus that the Canadian public would react most unfavourably to any gift to a Communist country, notwithstanding the fact that a gift might make possible a large sale of wheat to China. Therefore, every effort should be made to find an alternative solution. The availability of lower grades of wheat and the possibilities of mixing grades should be explored further. It was politically important for the government to get rid of as much surplus wheat as possible.

(d) Under the scheme proposed by the Minister of Agriculture, the Wheat Board would be instructed to administer the delivery quota regulations in such a manner as to prevent year-end elevator congestion and specifically ensure that stocks of wheat in the hands of the Canadian Wheat Board on July 31st, 1961, would be such as to effect a saving to the Treasury of an amount equivalent to the cost of the gift of grain to China.

13. *The Cabinet* decided,

(a) that no gift of wheat be made to Red China, notwithstanding the fact that a gift might make possible a large sale of wheat to China; and,

(b) that the Minister of Agriculture should discuss further with the Canadian Wheat Board the availability of lower grades of wheat and the possibilities of mixing grades in order to make possible a large sale to China at prices consistent with the prices normally quoted for the various grades.

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*Le délégué commercial à Hong Kong
au sous-secrétaire d'État aux Affaires extérieures*

*Trade Commissioner, Hong Kong,
to Under-Secretary of State for External Affairs*

LETTER NO. 14
COM-CONFIDENTIAL

Hong Kong, January 19, 1961

CHINESE FOOD PURCHASES

Dear Sir:

As you know, about a month ago the mainland Chinese, through the China Resources Company in Hong Kong, purchased 330,000 tons of Australian wheat. From the beginning we have been discussing possible sales of Canadian wheat with the China Resources Company and the latter have insisted that our wheat is too expensive relative to their needs and to alternative supplies from Australia. At the same time, they have endeavoured to secure our