

The Minister of Forestry (Mr. Flemming),
 The Secretary of State (Mr. Dorion),
 The Minister of Northern Affairs and National Resources (Mr. Dinsdale),
 The Minister without Portfolio (Mr. Halpenny),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Dr. Hodgson).

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WHEAT FOR CHINA

10. *The Minister of Agriculture* said the Canadian Wheat Board had had preliminary discussions with representatives of the China Resources Company, a firm which acted as agent for Communist Chinese trade corporations, who were in Canada in regard to the possible sale of Canadian wheat and barley to China. China was facing an acute food problem and had purchased wheat, barley and flour from Australia. The price at which China had purchased the Australian wheat was approximately 25 cents per bushel under the Canadian Wheat Board's asking price of No. 2 Northern. The Chinese representatives indicated clearly that quality was not important as their imported wheat would be consumed primarily as a form of dumplings not as bread. The Wheat Board at the moment had available mostly No. 2 Northern with lesser quantities of No. 3. Grades of No. 5 and No. 6 were not available in Canada to meet large export commitments. The Chinese representatives had indicated that they were only interested in Canadian wheat in so far as it could be provided in competition with Australian wheat and at prices related to Australian offering prices.

It would be impractical for the Wheat Board to lower its selling price for high grade wheat to meet the demand from China. Such a reduction in price would have to apply to all commercial buyers of Canadian wheat and would lead to lower world prices and to operating deficits on the part of the Board. Accordingly, it would be necessary to find means whereby high grade Canadian wheat could be made available to China at lower prices without affecting the level of current Board asking prices. One suggestion was that the Board should be authorized to continue their negotiations on the basis of a gift to the "people" of China of a limited quantity of high Grade wheat and the sale of a much larger quantity of wheat to China. The actual amount of the gift of wheat would depend upon the quantities which might be negotiated on a competitive price basis. If the quantity of wheat involved in the negotiation was one million tons (37.3 million bushels) the gift segment would be \$6.7 million. This segment would be based upon a maximum overall price reduction of 18 cents per bushel on the quantities of No. 2 Northern wheat taken by China.

An explanatory memorandum was circulated, (Minister's memorandum, Jan. 14 – Cab. Doc. 12-61).

11. *Mr. A. Hamilton* said that another suggestion put forward was that the Wheat Board, on behalf of the western producers, would make a gift to the "people" of China with the Board making up the difference out of its fund for promoting the consumption of wheat, which would later have to be replenished. Such type of gifts were possible in the United States under Public Law 480 (titles II and III).

He said Mr. Starr had suggested to him that Canada should give wheat to all countries who bought large quantities, say, 10 or 20 million, in a form of a discount. This had the advantage of not changing the original price and would be a quantity discount. For example, if the Chinese could be told that, if they bought 37 million bushels of wheat, they would get "x" per cent discount. The Wheat Board had said that this scheme would be considered as a price reduction and would spiral a reduction all over the world. It would also penalize the United Kingdom and other customers who bought through a private trade. Canada should not risk its wheat markets in this way.