

INCOMING TELEGRAM *Department of State*

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Info FM AMEMBASSY NEW DELHI

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TO SECSTATE WASHDC FLASH 1440

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G ~~C O N F I D E N T I A L~~ DECEMBER 8

SP SEONE OFOUR

L SUBJECT: SUBRAMANIAM RAJ SABHA SPEECH 12/7/65

H REF: DEPTTEL 999

P PASS WHITE HOUSE FOR BUNDY
USIA AGRICULTURE FOR SECRETARY FREEMAN

NSC
INR
CIA SUBRAMANIAM MADE MAJOR PARALLEL STATEMENTS IN BOTH LOK SABHA
NSA AND RAJ SABHA TODAY REPORTING CABINET DECISIONS RESPECTING
DOD AGRICULTURE POLICY.

IGA ONLY UNEDITED PARLIAMENTARY TRANSCRIPT NOW AVAILABLE. PREPARED
AID TEXT FOR RELEASE NOT AVAILABLE UNTIL MORNING DECEMBER 8.

PC
E TO EXPEDITE FIRST TRANSMITTING FOLLOWING EXCERPTS FROM MORE
AGR SUCCINCT UPPER HOUSE STATEMENT WHICH CONTAIN FULL GIST OPERATIVE
COM PORTIONS. WILL FOLLOW WITH EITHER OR BOTH FULL TEXTS IF YOU
TRSY WISH. (THIS UNCORRECTED TEXT NOT FOR PUBLICATION.)

FFP
RSR ... "I WOULD LIKE TO PLACE BEFORE THE HOUSE THE VARIOUS POLICY
DECISIONS WHICH HAVE BEEN TAKEN BY THE GOVERNMENT OF INDIA.
FIRST OF ALL, THE DECISION THAT HAS BEEN TAKEN BY THE GOVERNMENT
OF INDIA IS THAT IN THE FOURTH PLAN, IN THE ECONOMIC DEVELOPMENT
PROGRAMMES -- I AM NOT SPEAKING ABOUT DEFENCE; THAT STANDS BY
ITSELF -- AGRICULTURE WOULD BE GIVEN THE HIGHEST PRIORITY, AND
... WE ARE THINKING IN TERMS OF A RS. 2,400 CRORE PROGRAMME
FOR AGRICULTURE DEVELOPMENT.

WHATEVER MIGHT BE THE LIMITATIONS WITH REGARD TO THE RESOURCES
AVAILABLE, THE GOVERNMENT HAVE TAKEN THE DECISION THAT THE OUT-
LAY REQUIRED FOR AGRICULTURE WOULD NOT IN ANY EVENT BE CUT DOWN.
AS A MATTER OF FACT, THE PRIME MINISTER HAS DECLARED THAT, IF IT

IS POSSIBLE TO HAVE A BIGGER PROGRAMME GOVERNMENT WOULD NOT
HESITATE TO ALLOCATE THOSE ADDITIONAL RESOURCES ALSO ... THIS
PRIORITY ... APPLICABLE NOT ONLY FOR THE ALLOCATION OF INTERNAL
RESOURCES, BUT FOREIGN EXCHANGE....

- ~~— BUNDY-SMITH~~
- ~~— BATOR~~
- ~~— BOWDLER~~
- ~~— BOWMAN~~
- ~~— CHASE~~
- ~~— COOPER~~
- ~~— JESSUP~~
- ~~— JOHNSON~~
- ~~— KEENE~~
- ~~— KOMER~~
- ~~— MOODY~~

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Authority State (tr. 11/7/77)

By klmg NARA, Date 3-29-01

~~CONFIDENTIAL~~

-2- 1440, December 8, (SECTION 1 OF 4), from New Delhi

FOR THE PURPOSE OF REACHING...SELF-SUFFICIENCY WE HAVE FORMULATED (AN) INTENSIVE AGRICULTURAL PROGRAMME FOR ABOUT 32 MILLION ACRES TO 35 MILLION ACRES (OF THE) 72 TO 75 MILLION ACRES (WHICH) HAVE ASSURED WATER-SUPPLY. FROM THE FIRST YEAR OF THE FOURTH PLAN THE PROGRAMME IS TO HAVE IMPROVED VARIETIES OF PADDY, WHEAT, MAIZE, SORGUM, BAJRA, RAGI SOWN IN THIS AREA.

IF WE HAVE TO USE THESE HIGH-YIELDING VARIETIES, IT REQUIRES HIGH FERTILIZATION ALSO.... IN 1966-67 WE ENVISAGE ONE MILLION TONS OF NITROGEN, .37 MILLION TONNES OF P2O5 AND 0.20 MILLION TONNES OF K2O, AND IN 1967-68 PROGRESSIVELY IT GOES ON INCREASING AND IN 1970-71, THAT IS THE FINAL YEAR OF THE FOURTH PLAN, OUR ESTIMATE WOULD BE 2.4 MILLION TONNES OF NITROGEN, 1.00 MILLION TONNES OF P2O5 AND 0.70 MILLION TONNES OF K2O. THIS WOULD MEAN ROUGHLY 4 MILLION TONNES OF PLANT NUTRIENTS GOVERNMENT HAVE ACCEPTED THESE TARGETS....

FOR THE PURPOSE OF REACHING THESE TARGETS THE FIRST STEP... WILL...BE...TO SEE THAT THE...FERTILIZER FACTORIES WHICH WE (ALREADY) HAVE PUT UP, WORK TO THE MAXIMUM.... WE HAVE TAKEN A POLICY DECISION THAT IN THE ALLOCATION OF FOREIGN EXCHANGE HIGHEST PRIORITY WILL BE GIVEN...(FOR) THE RAW MATERIALS REQUIRED FOR THE FERTILIZER FACTORIES TO RUN THEM AT THE HIGHEST LEVEL....

IT HAS ALSO BEEN DECIDED... THAT EVERY ATTEMPT WOULD BE MADE TO ALLOCATE THE FOREIGN EXCHANGE NECESSARY...IMPORTING FERTILIZERS FROM ABROAD... FOR 1966-67, UNLESS WE TAKE IMMEDIATE STEPS FOR GETTING THESE FERTILIZERS, IT WOULD NOT BE AVAILABLE IN TIME.... FOR THE REQUIREMENTS OF THE KHARIF SEASON (OF 1966)...THE FINANCE MINISTRY HAD ALREADY AGREED FOR THE IMPORT OF ABOUT 350,000 TONNES OF NITROGEN. OUT OF THIS SOME 250,000 TONNES WERE INTENDED TO BE IMPORTED UNDER THE U.S. AID PROGRAMME. BUT UNFORTUNATELY... THEY HAVE CUT OFF THIS AID ALSO. THEREFORE IT HAS BECOME DIFFICULT FOR US TO GET THIS 250,000 TONNES THAT HAD BEEN INTENDED TO BE IMPORTED UNDER THE U.S. AID PROGRAMME.

BUT WHETHER THIS U.S. AID COMES OR NOT, WE HAVE TO PUT THROUGH THIS PROGRAMME. IT IS NOT FOR THE BENEFIT OF THE UNITED STATES THAT WE ARE PUTTING THROUGH THIS PROGRAMME. IT IS FOR OUR OWN BENEFIT....

YESTERDAY THE FINANCE MINISTER HAS KINDLY AGREED TO ALLOCATE SUFFICIENT RESOURCES SO THAT IN THE FIRST HALF YEAR OF 1966-67, WE SHALL BE IMPORTING 250,000 TONNES OF NITROGEN FROM ABROAD

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-3- 1440, December 8, (SECTION 1 of 4), From New Delhi

SO THAT IN THE KHARIF SEASON WITH 200,000 TONNES OF (DOMESTIC) PRODUCTION WE HAVE THE MINIMUM QUANTITY OF 450,000 TONNES OF NITROGEN, ALSO ROCK-SULPHATE AND SULPHUR, FOR THE PURPOSE OF PRODUCING P2O5 AND K2O....

THE FACT IS THAT WE ATTACH THE HIGHEST PRIORITY FOR THE AGRICULTURAL PRODUCTION PROGRAMME IN WHICH FERTILIZERS PLAY A KEY ROLE.. THAT IS WHY WE HAVE ALLOCATED FOREIGN EXCHANGE AND WE ARE ASSURING THAT THE KHARIF SEASON'S REQUIREMENTS WILL BE, MORE OR LESS, MET. WE SHOULD BE REVIEWING CONSTANTLY THE POSITION TO FIND ADDITIONAL RESOURCES, EITHER OUR OWN RESOURCES OR ASSISTANCE FROM ABROAD... FOR THE RABI SEASON'S REQUIREMENTS WE NEED 450,000 OR 500,000 TONNES OUT OF WHICH ABOUT 200,000 TO 250,000 TONNES SHOULD BE PRODUCED WITHIN THE COUNTRY AND THE BALANCE SHOULD BE IMPORTED....

FOR FERTILIZERS IT IS NECESSARY TO HAVE AS MUCH OF INDIGENOUS PRODUCTION AS POSSIBLE.... I HAVE ABSOLUTELY NO DOUBT THAT ECONOMICS WILL SHOW THAT IT IS MUCH MORE ADVANTAGEOUS TO PRODUCE FERTILIZERS WITHIN THE COUNTRY UNDER WHATEVER TERMS IT MAY BE....

BOWLES

BT

NOTE: ADVANCE COPY TO S/S-0 12/7/65, 5:08 p.m.

PASSED WHITE HOUSE 12/7/65, 5:38 p.m.

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INCOMING TELEGRAM *Department of State*

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~~C O N F I D E N T I A L~~ DECEMBER 8

L SETWO OFFOR

H SUBJECT: SUBRAMANIAM RAJ SABHA SPEECH 12/7/65

P USIA REF: DEPTTEL 999

NSC PASS WHITE HOUSE FOR BUNDY
INR AGRICULTURE FOR SECRETARY FREEMAN
CIA

NSA I AM SURE IMMEDIATELY WE CONSIDER HAVING PARTICULARLY FACTORIES
DOD IN THE PRIVATE SECTOR, MY HON. FRIEND MR. BHUPESH GUPTA WOULD
IGA IMMEDIATELY SAY, THIS IS BEING DONE UNDER U.S. PRESSURE. WHAT
AID I WANT TO IMPRESS UPON THE HOUSE IS THAT THERE IS NO QUESTION
PC OF PRESSURE FROM ANYBODY. WE HAVE VOICE ENOUGH AND WE HAVE
E INTELLIGENCE ENOUGH TO SEE WHAT IS IN THE BEST INTEREST OF THE
AGR COUNTRY....

COM WE HAVE, THEREFORE, TO CREATE CONDITIONS IN WHICH FERTILISER
TRSY
FFP

RSR PAGE TWO RUSBAE 351B ~~C O N F I D E N T I A L~~
FACTORIES DO COME UP HERE, WHETHER IT BE IN THE PUBLIC SECTOR
OR IN THE PRIVATE SECTOR. WE WANT CONDITIONS IN WHICH THESE
FACTORIES COME INTO EXISTENCE BECAUSE...EVEN TAKING INTO ACCOUNT
THE PROFITS THEY (FOREIGN INVESTORS) ARE LIKELY TO MAKE, AND
THE PROFITS THAT THEY ARE LIKELY TO TAKE OUT, IF YOU TAKE THE
ALTERNATIVE OF IMPORTING FOOD GRAINS OR THE FERTILISER FROM
ABROAD...IT WOULD BE A THOUSAND TIMES MORE ADVANTAGEOUS TO HAVE
THESE FACTORIES WITHIN THE COUNTRY, WHOEVER BE THE INVESTORS.

"WE SHOULD HAVE THE PRODUCTION AND THAT IS THE MOST IMPORTANT
THING. THEREFORE, THE GOVERNMENT INTENDS TAKING A POLICY
DECISION. ALREADY THE CABINET SUB-COMMITTEE IS GOING INTO
THIS QUESTION WITH REGARD TO THE DISTRIBUTION PROGRAMME AND
WITH REGARD TO THE PRICING POLICY AND THE VARIOUS OTHER THINGS
INVOLVED IN IT SO THAT IT MAY BE POSSIBLE FOR MORE AND MORE

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-2- 1440 DECEMBER 8, FROM NEW DELHI. (SECTION TWO OF FOUR)

FACTORIES TO COME INTO EXISTENCE WITH THE COUNTRY.... I AM... HOPING... WITHIN THE NEXT WEEK OR TWO, WE WILL BE ABLE TO ANNOUNCE THIS DISTRIBUTION AND PRICING POLICY WITH REGARD TO FERTILISER WHICH WILL FACILITATE MORE FACTORIES TO COME UP IN THE PUBLIC SECTOR AND IN THE PRIVATE SECTOR.

WITH REGARD TO DISTRIBUTION..I AM SURE SOME HON. MEMBERS WOULD

PAGE THREE RUSBAE 351B ~~C O N F I D E N T I A L~~
HAVE SEEN THE RECENT REPORT OF THE PROJECTS EVALUATION COMMITTEE OF THE PLANNING COMMISSION (ON) HOW UNDER THE POOL SYSTEM AND UNDER THE MONOPOLY SYSTEM, FERTILISER DISTRIBUTION HAS BEEN FUNCTIONING. IT IS NOT MERELY A QUESTION OF PHYSICALLY MAKING THE FERTILISER AVAILABLE... IT SHOULD BE DONE AT THE PROPER TIME. AND ALONG WITH THAT, IS THE EXTENSION SERVICE AND THE ADVICE WITH REGARD TO THE USE OF THE FERTILISER, WITH REFERENCE TO THE CROP AND THE SOIL. THAT IS MOST IMPORTANT. NOW IN OTHER COUNTRIES THE DISTRIBUTING AGENCY IS ALSO USED FOR THIS PURPOSE. BUT BECAUSE OF THE MONOPOLY SYSTEM WHICH WE HAVE ADOPTED FOR DISTRIBUTION THROUGH COOPERATIVE SOCIETIES, THERE IS THIS ATTITUDE OF "TAKE IT OR LEAVE IT."... IT WAS BROUGHT OUT DRAMATICALLY HOW OUR DISTRIBUTION SYSTEM PARTICULARLY IN THE FERTILISER SECTOR FAILED TO DELIVER THE GOODS.

"THEREFORE,...WE HOPE THAT IT (WILL) BE POSSIBLE FOR US TO TAKE A DECISION IN WHICH THE PRODUCER HIMSELF WILL BE MADE RESPONSIBLE FOR THE DISTRIBUTION. I HOPE A CERTAIN AMOUNT OF THE COMPETITIVE SPIRIT WILL BE BROUGHT ABOUT IN THIS DISTRIBUTION AND IN ALL THESE THINGS SO THAT THE FARMER WILL HAVE THE ADVANTAGE IN THE PROCESS....

PAGE FOUR RUSBAE 351B ~~C O N F I D E N T I A L~~
...WE HOPE THAT WITHIN THE NEXT FOUR OR FIVE YEARS IT SHOULD BE POSSIBLE FOR US TO BUILD UP FERTILISER FACTORIES SUFFICIENT TO MEET OUR ENTIRE NEEDS. IT IS NOT GOING TO END BY THE END OF THE FOURTH FIVE YEAR PLAN. BY THE FIFTH FIVE YEAR PLAN, IF WE ARE TO KEEP UP THE TEMPO OF AGRICULTURAL ACTIVITY, IN ORDER TO MEET THE INCREASING POPULATION, THE PRODUCTION WILL HAVE TO BE DOUBLED. INSTEAD OF FOUR MILLION TONS OF PLANT NUTRIENT WE SHOULD HAVE EIGHT MILLION TONS OF PLANT NUTRIENT BY THE END OF THE FIFTH PLAN....

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-3- 1440 DECEMBER 8, FROM NEW DELHI. (SECTION TWO OF FOUR)

"IT IS ALSO NECESSARY TO HAVE PLANT PROTECTION MEASURES BECAUSE THESE (NEW) VARIETIES ARE SUSCEPTIBLE TO VARIOUS PESTS AND DISEASES....FOR THE INCREASING NEEDS WE WILL HAVE TO EXPAND AND PERHAPS ESTABLISH NEW FACTORIES.... THAT ALSO WILL BE TAKEN CARE OF AND (TO) THE EXTENT NECESSARY WE WILL BE IMPORTING ALSO.

"THEN THERE IS THE QUESTION OF MULTIPLYING SEEDS.... DURING THE THIRD PLAN..THE MAJORITY OF (SEED FARMS) IS SHOULD SAY, HAVE NOT COME UP TO OUR EXPECTATIONS.... THAT IS WHY WE HAVE NOW A BIG PROGRAMME OF BIG STATE SEED FARMS. FOR THIS PURPOSE WE HAVE ALREADY CREATED THE POST OF A DIRECTOR-GENERAL OF STATE FARMS AND AS INDIVIDUAL WITH PRACTICAL FARMING EXPERIENCE

PAGE FIVE RUSBAE 351B ~~C O N F I D E N T I A L~~
AND ALSO ADMINISTRATIVE EXPERIENCE HAS BEEN APPOINTED TO THIS POST.... IN ADDITION TO THAT, OUR INTENTION IS TO HAVE AT LEAST ONE SEED FARM ROUND ABOUT FIVE OR TEN THOUSAND ACRES IN EVERY STATE FOR THE PURPOSE OF PRODUCING THESE SEEDS. THAT PROGRAMME IS ALSO BEING TAKEN UP VIGOROUSLY AND WITHIN ONE OR TWO MONTHS THREE OR FOUR STATE FARMS WILL BE COMING INTO EXISTENCE...WHERE WE WILL HAVE THE VARIOUS TYPES OF AGRICULTURAL MACHINERY NECESSARY FOR THE PURPOSE OF PRODUCING SEEDS AND PROCESSING THESE SEEDS....

"WITHOUT WATER ALL THIS WOULD BECOME USELESS.... I AM CONCENTRATING MY SPEECH...ON HOW TO MAKE THIS INTENSIVE (AREA) PROGRAMME A SUCCESS. THE OTHER AREAS ALSO WILL BE LOOKED AFTER UNFORTUNATELY OUR IRRIGATION PROGRAMMES TILL NOW HAVE BEEN ONLY PROTECTIVE. THERE IS NOT SUFFICIENT WATER AVAILABLE FOR INTENSIVE AGRICULTURAL PROGRAMMES AND THAT IS MAINLY THE REASON WHY UNDER OUR OLD IRRIGATION PROJECTS WE ARE ABLE TO TAKE ONLY ONE CROP AND WE SAY THAT WATER WOULD BE AVAILABLE FOR FIVE OR SIX MONTHS. WE HAVE ALWAYS GOT ACCUSTOMED TO A LONG-TERM CROP WHICH WILL GO ON FOR FIVE OR SIX MONTHS. WHAT IS IMPORTANT IS THAT INSTEAD OF ONE CROP WE SHOULD HAVE IN ALL THESE AREAS MULTIPLE CROPPING WHERE WATER IS AVAILABLE.

BOWLES
BT

ADVANCE COPY TO S/S-O, 12/7/65, 6:18 P.M.
NOTE: PASSED WHITE HOUSE, 12/7/65, 6:44 P.M.

~~CONFIDENTIAL~~

INCOMING TELEGRAM *Department of State*

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1965 DEC 7 PM 6 40

BT
~~C O N F I D E N T I A L~~ DECEMBER 8

SECTION THREE OF FOUR

SUBJECT: SUBRAMANIAM RAJ SABHA SPEECH 12/7/65

REF: DEPTTEL 999

PASS WHITE HOUSE FOR BUNDY
AGRICULTURE FOR SECRETARY FREEMAN

~~"OUR INTENTION IS TO DEVELOP TUBEWELLS OR FILTER POINTS OR SURFACE WELLS EVEN IN THE COMMAND AREAS SO THAT WE MAY HAVE INSTEAD OF ONE CROP TWO CROPS.... IN OUR ANCIENT IRRIGATION SYSTEM - AND I AM PARTICULARLY AWARE OF WHAT IS PREVALENT IN TAJORE - WE HAVE THE FLOW SYSTEM, WATER FLOWING FROM FIELD TO FIELD... WHEN WE APPLY FERTILISERS IN THIS FLOW SYSTEM, THE FERTILISER IS WASHED AWAY FROM ONE FIELD TO ANOTHER SO THAT FERTILISER IS NOT USED BY THE PLANTS TO THE MAXIMUM EXTENT NECESSARY.~~

PAGE TWO RUSBAE 351C ~~C O N F I D E N T I A L~~

"THEREFORE, MODERNISING THE IRRIGATION SYSTEM IS ABSOLUTELY ESSENTIAL, THAT IS, FIELD CHANNELS WHICH COULD CONTROL THE IRRIGATION AT THE VARIOUS POINTS.... AN EXPERT TEAM HAS GONE INTO IT AND A PROJECT REPORT FOR MODERNISING THE WHOLE THING HAS BEEN RECEIVED AND NOW IT IS BEING TAKEN UP WITH REGARD TO THE DELTA AREA IN ANDHRA. IN THE SAME WAY, ALL OUR ANCIENT IRRIGATION PROJECTS WILL HAVE TO BE LOOKED INTO AND MODERNISED....

~~"WE ARE TAKING UP THIS PROGRAMME IN AN INTENSIVE WAY DURING THE FOURTH PLAN PERIOD. IT IS THIS PACKAGE OF BETTER SEEDS, FERTILISER, PLANT PROTECTION AND WATER CONTROL OF IRRIGATION WHICH GIVES THE OPTIMUM YIELD. EVERY ONE OF THESE THINGS USED BY ITSELF WILL GIVE SOME MARGINAL RESULT BUT WHEN ALL THESE FOUR ARE USED AS A PACKAGE THEN THE INCREASE IS SUBSTANTIAL....~~

~~CONFIDENTIAL~~

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-2- 1440, DECEMBER 8, FROM NEW DELHI (SECTION THREE OF FOUR).

"WHEN WE HAVE TO HAVE THIS INTENSIFIED AGRICULTURE WITH HUGE INVESTMENTS, NATURALLY THE FARMERS SHOULD GET THE CREDIT FOR THIS PURPOSE.... IN REGARD TO THE CREDIT PROGRAMME, THE COOPERATIVES HAVE NOT COME UP TO THE LEVEL OF MEETING THE REQUIREMENTS OF EVERY FARMER.... WE ARE THINKING IN TERMS OF HAVING ALTERNATIVE CREDIT ORGANISATIONS SO THAT SUFFICIENT CREDIT MAY BE MADE AVAILABLE TO THE FARMER. WE ARE HAVING UNDER CONTEMPLATION AN AGRICULTURAL CREDIT CORPORATION WHICH WOULD ACT AS A SUPPLEMENTARY AGENCY ALONG WITH THE COOPERATIVE BANKS....

"THESE ARE ALL THE DECISIONS TAKEN BUT THERE IS ANOTHER DECISION WHICH IS TO BE TAKEN.... WHEN HUGE INVESTMENTS ARE MADE AND IF SOME NATURAL CALAMITY SHOULD ARISE THERE SHOULD BE SOME CONTROL ON THE LOSSES TO THE FARMER. WE SHOULD HAVE A CROP INSURANCE SCHEME.....THIS WILL HAVE TO BE WORKED INTO THE PROGRAMME BUT THAT CAN COME A LITTLE LATER.

"THIS IS HOW WE VISUALISE THIS PROGRAMME AND THIS INTENSIVE AGRICULTURAL APPROACH PROGRAMME HAS BEEN ACCEPTED BY THE CABINET, BY THE PLANNING COMMISSION....

"WE ARE ALREADY IN THE PROCESS OF MULTIPLYING SEEDS SO THAT FOR THE NEXT YEAR'S PROGRAMME 5 TO 6 MILLION ACRES UNDER IMPROVED SEEDS WILL BE POSSIBLE....

"IF WE ARE ABLE TO IMPLEMENT THIS PROGRAMME IN THE BEST MANNER SUCCESSFULLY, I AM CONFIDENT IT WOULD BE POSSIBLE FOR US IN A PHASED MANNER TO REACH SELF-SUFFICIENCY BY THE END OF THE FOURTH PLAN...THE NEW STRATEGY...HAS BEEN DECIDED UPON NOT BY POLITICIANS BUT BY TECHNICIANS, BY THE SCIENTISTS, BY THE AGRICULTURAL ECONOMISTS, BY THE AGRICULTURAL ADMINISTRATORS. IT HAS BEEN REVIEWED AND THEN DECIDED UPON ON A PILOT SCALE AND I AM ASSURED BY THE TECHNICIANS AND BY THE SCIENTISTS - AND I HAVE CONFINED MYSELF NOT ONLY TO OUR OWN SCIENTISTS AND TECHNICIANS BUT I HAVE CONSULTED OTHERS ALSO FROM FOREIGN COUNTRIES AND EVERYBODY HAS ASSURED ME - THAT...THIS AGRICULTURAL DEVELOPMENT PROGRAMME WILL ASSURE US SUCCESS IN OUR QUEST FOR SELF-SUFFICIENCY....

"EVEN FOR 1966-67 (ALTHOUGH)...WE ARE VERY MUCH STRAINED WITH REGARD TO FOREIGN EXCHANGE, AND EVEN WITH REGARD TO INTERNAL RESOURCES...WE ARE ENSURING...AT LEAST 40 TO 50 PERCENT (MORE THAN) WHAT WE SPENT DURING THE LAST YEAR OF THE THIRD PLAN WILL BE MADE AVAILABLE SO THAT THE PROGRAMME WILL BE SUFFICIENTLY STEPPED UP EVEN DURING THE FIRST YEAR OF THE FOURTH PLAN APART FROM THE LARGER ALLOCATIONS OF RESOURCES DURING THE FOURTH PLAN....

~~CONFIDENTIAL~~

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-3- 1440, DECEMBER 8, FROM NEW DELHI (SECTION THREE OF FOUR).

"THE ADMINISTRATIVE SET-UP ALSO IS IMPORTANT....

"FOR THE FERTILISERS WE HAVE A COMMITTEE UNDER THE CHAIRMANSHIP OF THE PRIME MINISTER HIMSELF TO LOOK INTO THE VARIOUS PROGRAMMES NOT ONLY OF PRODUCTION BUT ALSO THE IMPORT PROGRAMME AND VARIOUS OTHER THINGS. THEREFORE AT THE HIGHEST LEVEL IT IS BEING REVIEWED AND WHATEVER BOTTLENECKS THERE ARE, THEY WILL ALSO BE REVIEWED BY THIS COMMITTEE. WITH REGARD TO THE ESTABLISHMENT OF NEW FERTILISER FACTORIES...ANY IMPEDIMENTS IN THE WAY...WILL BE CONSIDERED BY THIS HIGH-LEVEL COMMITTEE AND...WILL BE REMOVED.

"IN ADDITION TO THAT A PRODUCTION BOARD HAS BEEN CONSTITUTED UNDER MY CHAIRMANSHIP IN WHICH THE VARIOUS MINISTERIES INVOLVED ARE BROUGHT TOGETHER AND THIS COMMITTEE HAS BEEN ENABLED TO TAKE BINDING DECISIONS.... I AM QUITE CONFIDENT THAT WITH A LITTLE MORE EFFORT IT SHOULD BE POSSIBLE TO MAKE THIS PRODUCTION BOARD SUFFICIENTLY ACTION-ORIENTED....

"WE HAVE ALSO...A SPECIAL AGRICULTURAL CREDIT COMMITTEE... UNDER MY CHAIRMANSHIP AND IN IT ALSO THE VARIOUS MINISTERIES ARE BROUGHT TOGETHER....

"WE HAVE TAKEN ANOTHER DECISION. AGRICULTURE WOULD REQUIRE VARIOUS INDUSTRIAL EQUIPMENTS, FOR EXAMPLE, FOR PLANT PROTECTION MEASURES EQUIPMENT (OR) AGRICULTURAL IMPLEMENTS.... IF A PROGRAMME GOES TO THE INDUSTRIES AND SUPPLY MINISTERIES, IT TAKES ITS OWN TIME, FIVE TO SIX MONTHS, SOMETIMES YEARS ALSO AND THE PROGRAMME GETS LOCKED UP. THEREFORE..WE WILL HAVE A SEPARATE CELL IN THE FOOD AND AGRICULTURE MINISTRY WHERE THE TECHNICAL OFFICERS FROM THE INDUSTRIES AND SUPPLY MINISTERIES WOULD BE LOCATED AND THEY WILL BE PURELY FUNCTIONING FOR THE PURPOSE OF ATTENDING TO THE REQUIREMENTS OF AGRICULTURE AND FOOD MINISTRY....

BOWLES .
BT

NOTE: ADVANCE COPY TO S/S-0 12/7/65, 6:40 P.M.
PASSED WHITE HOUSE 12/7/65, 7:02 P.M.

~~CONFIDENTIAL~~

INCOMING TELEGRAM *Department of State*

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G ~~C O N F I D E N T I A L~~ DECEMBER 8
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SAH SECTION FOUR OF FOUR
L SUBJECT: SUBRAMANIAM RADSABHA SPEECH 12/7/65
H REF: DEPTTEL 999
P PASS WHITE HOUSE FOR BUNDY
USIA AGRICULTURE FOR SECRETARY FREEMAN
NSC
INR
CIA "THESE ARE SOME OF THE STEPS WHICH WE HAVE TAKEN AND I HOPE
NSA AND TRUST THAT WITH ALL THESE MEASURES - NOT THAT THERE WILL NOT
DOD BE FURTHER SCOPE FOR IMPROVEMENTS; I HAVE NO DOUBT THERE IS
IGA MUCH MORE SCOPE FOR IMPROVEMENT BUT AS WE GO ON WE CAN GO ON
AID IMPROVING - WE WILL BE ABLE TO SUCCEED.
PC " IN ADDITION, I AM QUITE WELL AWARE OF THE INADEQUACY OF THE
E ADMINISTRATIVE SYSTEM WHICH EXISTS TODAY.... LEAVE ALONE IN-
AGR DIVIDUAL FUNCTIONING AND INDIVIDUAL SHORTCOMINGS BUT AS A SYS-
COM
TRSY
FFP PAGE TWO RUSBAE 351D ~~C O N F I D E N T I A L~~
RSR TEM OUR ADMINISTRATIVE SYSTEM IS OUTMODED PARTICULARLY FOR THE
DEVELOPMENT PROGRAMMES, PARTICULARLY FOR THE WELFARE PRO-
GRAMMES...I AM QUITE POSITIVE THAT THE SYSTEM HAS GOT TO CHANGE
AND THE SOONER WE MAKE THE CHANGES THE BETTER IT WILL BE FOR
AGRICULTURE. THIS WILL HAVE TO BE LOOKED INTO. NOW WE ARE
THINKING IN TERMS OF A REFORM COMMISSION BUT THIS REFORMS
COMMISSION SHOULD NOT BECOME ANOTHER ROUTINE MATTER WITH SOME
RECOMMENDATIONS FOR A FEW MORE JOINT SECRETARIES AND A FEW MORE
DEPUTY SECRETARIES.... I HOPE IT WILL MAKE THE NECESSARY
FUNDAMENTAL AND BASIC CHANGES IN THE SYSTEM ITSELF WHICH ARE
NECESSARY TODAY.... MEANWHILE ON MY OWN INITIATIVE I AM TAKING
VARIOUS STEPS FOR REORGANISING MY MINISTRY....
" EFFECTIVE RESEARCH PROGRAMME IS NECESSARY NOT ONLY FOR THE SAKE
OF THE PRESENT BUT PARTICULARLY FOR THE SAKE OF THE FUTURE....
I HAVE REORGANISED THE INDIAN COUNCIL OF AGRICULTURAL RESEARCH

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-2- 1440, DECEMBER 7, FROM NEW DELHI (SECTION FOUR OF FOUR).

WITH A SCIENTIST AT THE HEAD.... WE HOPE TO HAVE, INSTEAD OF A DISPERSED RESEARCH WITHOUT ANY COORDINATION WHATSOEVER, A PURPOSEIVE RESEARCH COORDINATING THE NATIONAL RESEARCH PROGRAMMES WITH REGARD TO THE VARIOUS COMMODITIES AND THE PROBLEMS INVOLVED IN RELATION TO THOSE COMMODITIES....

"I HAVE COME ACROSS SCIENTISTS OF THE VARIOUS COUNTRIES OF THE

PAGE THREE RUSBAE 351D ~~C O N F I D E N T I A L~~
WORLD AND I HAVE ALSO COME ACROSS PARTICULARLY THE YOUNGER GENERATION OF SCIENTISTS OF OUR COUNTRY AND I CAN SAY WITH CONFIDENCE THAT OUR SCIENTISTS ARE EQUAL TO ANY OF THE SCIENTISTS IN ANY PART OF THE WORLD BUT UNFORTUNATELY WE HAVE NOT GIVEN THEM OPPORTUNITIES, WE HAVE NOT GIVE THEM AMENITIES, WE HAVE NOT GIVEN THEM STATUS, AND PARTICULARLY THE AGRICULTURAL SCIENTISTS, WE HAVE THROWN THEM TO THE DUST.... THEIR STATUS WILL HAVE TO BE RAISED, THEIR EMOLUMENTS WILL HAVE TO BE RAISED BUT I TELL YOU EVEN WITHOUT ANY OF THESE THINGS OUR YOUNG SCIENTISTS ARE GOING FORWARD.

"IT IS THIS NEW GENERATION WHICH IS COMING UP...WHICH ALONE GIVES ME HOPE, WHATEVER OUR FAILURES MIGHT BE, THE FAILURES PARTICULARLY OF THE POLITICIANS OF THIS GENERATION.... I HAVE NO DOUBT IN MY MIND THAT IF WE PUT OUR TRUST AND FAITH IN THESE PEOPLE, INSTEAD OF THE VARIOUS OTHER THINGS, WE WILL BE MARCHING TOWARDS SELF-SUFFICIENCY AND PERHAPS WE WILL BE REACHING THE STAGE OF SELF-SUFFICIENCY MUCH EARLIER THAN WHAT WE IMAGINE...."

COMMENT:

THIS PROGRAM MEETS OUR BEST EXPECTATIONS IN FULL AND EXCEEDS THEM ON ONE MAJOR COUNT AND SEVERAL LESSER ONES. IN SUMMARY IT:

PAGE FOUR RUSBAE 351D ~~C O N F I D E N T I A L~~

1. ASSIGNS TOP CIVILIAN PRIORITY TO AGRICULTURE, ALLOCATING IT RS. 2,400 CRORES FOR THE FOURTH PLAN, AND FIRST CIVILIAN CLAIM ON FOREIGN EXCHANGE;
2. RAISES AGRICULTURE OUTLAYS 40-50 PERCENT IN THE NEXT IFY;

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-3- 1440, DECEMBER 7, FROM NEW DELHI (SECTION FOUR OF FOUR).

3. ADOPTS AN APPROPRIATELY AMBITIOUS SET OF FERTILIZER CONSUMPTION TARGETS, RISING TO 1 MILLION TONS NEXT YEAR;
4. SIGNALS HARDHEADED NEW POLICIES AND PROCEDURES TO BE ANNOUNCED SHORTLY WITH RESPECT BOTH TO ATTRACTION OF FOREIGN PRIVATE INVESTMENT IN AGRICULTURE PLANTS AND TO FERTILIZER DISTRIBUTION AND PRICING. ALL OUR SOURCES INDICATE A NEAR CERTAINTY THAT THE SPECIFICS OF THESE DECISIONS WILL BE THOROUGHLY SATISFACTORY;
5. COMMITS HIGHEST PRIORITY TO FOREIGN EXCHANGE FOR RAW MATERIAL IMPORTS FOR EXISTING FERTILIZER PLANTS;
6. COMMITS A HIGH LEVEL INNOVATIVE ATTACK ON THE RURAL CREDIT PROBLEM;
7. INDICATES A STRENGTHENING OF AGRICULTURAL POLICY AND ADMINISTRATIVE MACHINERY INCLUDING NOT ONLY SPECIAL FERTILIZER COMMITTEE HEADED BY PRIME MINISTER PERSONALLY AND BINDING CABINET-DELEGATED AUTHORITY FOR THE AGRICULTURAL PRODUCTION BOARD UNDER SUBRAMANIAM BUT ALSO A WELCOME NEW WRINKLE -- HOUSING OF SUPPLY MINISTRY TECHNICIANS ON AGRICULTURE SUPPLIER INDUSTRIES WITHIN THE FOOD AND AGRICULTURE MINISTRY;
8. EMPHATICALLY COMMITS NEEDED INPUTS OF FERTILIZER, SEEDS, AND PESTICIDES (BOTH IMPORTS AND DOMESTIC PRODUCTION) FOR THE KEY INTENSIVE-AREAS PROGRAM BUILT AROUND IMPROVED VARIETIES;
9. MOST REMARKABLY ANNOUNCES THE DECISION TO MAKE AVAILABLE RS. 20 CRORES OF FREE EXCHANGE FOR FERTILIZER IMPORTS OF THE NEXT KHARIF CROP (SPRING-SUMMER PLANTINGS) ON TOP OF REPEAT ON TOP OF RS. 12.5 CRORES COMMITTED FEW DAYS AGO. YESTERDAY IN EVALUATING PRELIMINARY REPORTS OF CABINET ACTION WE DID NOT BELIEVE THAT THESE AMOUNTS WERE ADDITIVE BECAUSE SEEMED SO IMPROBABLE. BUT NOW UNMISTAKABLY CONFIRMED. ABOUT RS. 5 CRORES EASTERN BLOC FUNDS ALSO ALLOCATED MAKING TOTAL GO-IT-ALONE ALLOCATION RS. 37.5 CRORES OR \$79 MILLION -- FAR IN EXCESS OUR FONDEST HOPES. GOI IMMEDIATELY ORDERING RS.30 CRORES WORTH WITH BALANCE TO FOLLOW SHORTLY.
10. FOR GOOD MEASURE PROMISES CROP INSURANCE AND INTENSIFIED RESEARCH.

BOWLES
BT

NOTE: ADVANCE COPY TO S/S-0 12/7/65, 6:57 P.M.

PASSED WHITE HOUSE 12/7/65, 7:25 P.M.

~~CONFIDENTIAL~~

PERSONAL -
FROM THE SECRETARY OF AGRICULTURE

142

Date December 7, 1965

To: Mr. Robert Komer

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| <input type="checkbox"/> For your information | <input type="checkbox"/> For your approval | <input type="checkbox"/> Please handle |
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| <input type="checkbox"/> For your signature | <input type="checkbox"/> Please return | <input type="checkbox"/> Please file |

O'Neill & Franzen

DEC 7 1965



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

December 6, 1965

MEMORANDUM

To: The President
The White House

From: Orville L. Freeman
Secretary of Agriculture

142a

India Food

Dr. Lester Brown, Staff Economist, has just returned from India. He has an international reputation and is our No. 1 authority on Indian Agriculture. Dr. Brown advised and sat with me throughout the Subramaniam confrontation. I sent him back to India from Rome to observe Subramaniam's actions and to check crop prospects further and in depth. Because he has had wide experience in estimating production consequences of unusual conditions including weather I am forwarding herewith a section of his report to me for your information.

Enclosure

Orville L. Freeman

DEC 7 1965

1426



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

December 6, 1965

MEMORANDUM

To: The Secretary

From: Lester Brown
Staff Economist

Subject: Rome Agreement Follow-up and Indian Crop Prospects

Pursuant to your instructions I returned to New Delhi and carefully reviewed the developing food situation. As crop reports from the various states continue to come in, more information is available. In addition to reviewing these reports, I discussed carefully with our Mission people, Ford Foundation field staff, and top level officials in the Indian Ministry of Food and Agriculture all available information.

My own independent assessment leads me to estimate that this year's India crop will be somewhere around 70 million tons. This is down 18 million tons from last year and about 25 million tons below the estimated demand of 95 million tons for calendar 1966. You will recall the earlier estimate of a 10 to 12 million ton short fall that a task force in the Department made. Expected improvement in weather conditions failed to materialize since this earlier estimate. This is a most serious situation. The maximum volume of grain that could be moved through the India Port System, estimated to be approximately 11 million tons, would not eliminate widespread famine. Even if 11 million tons more grain is moved into India, it is my judgment that the loss of human life would likely exceed the 2 to 4 million lives lost in the Bengal famine of 1943 by several fold.

As instructed I followed up on our Rome negotiations with India Food and Agricultural Minister Subramaniam. On Thursday evening, December 3, I met with Minister Subramaniam at his residence following the evening cabinet meeting. At this time he indicated the foreign exchange required to import immediately the 100,000 tons of nitrogen fertilizer we had asked for in Rome as a commitment on their part had been made available. Subramaniam also asked the cabinet to agree to the long-term fertilizer availability commitments we asked for in Rome. Subramaniam is presenting everything we asked for in Rome as the program of his Ministry, implying that full cabinet acceptance of this program might be a condition for his continuing as Minister of Food and Agriculture.

DEC 7 1965



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

142c

December 1, 1965

MEMORANDUM

To: The President
The White House

From: Orville L. Freeman
Secretary of Agriculture

Subject: India - Food and Agriculture

- I. For the first time the Indian Government through its Agricultural Minister Subramaniam has made concrete specific commitments to the United States which will if carried out vigorously significantly improve India's agricultural performance.
- II. The critical question remains - How the United States can make certain that pledges are followed by performance.
- III. It is expected that the Indian Government in the near future will make a public pronouncement on agriculture incorporating the agreed upon actions and targets with a commitment to accomplish them. Subramaniam indicated to me the likelihood that he would be speaking to the Council of State on December 8 to spell out a plan of action to meet the current crisis and that he would incorporate the commitments made at Rome in such a presentation.
- IV. The public commitment by the Indian Government can be reinforced by the United States as follows:
 - (a) Length of Public Law 480 agreements can be conditioned to the performance of the Indian Government.
 - (b) The agricultural action commitments can be incorporated into the AID arrangements with disbursements conditioned on the Indian Government meeting its agricultural commitments. Precise detailed criteria to measure performance and insure action can be negotiated. Failure on the part of the Indian Government to perform will be surfaced under such a procedure and the appropriate action decision can be made accordingly.

DEC 7 1965

2--The President

V. The following sequence of actions might be followed:

- (a) Communicate to Prime Minister Shastri that spelling out as the plan of the Indian Government the commitments made in Rome would be favorably received by the United States Government.
- (b) United States announce another short term P.L. 480 agreement.
- (c) Following Indian Government public commitment perhaps through Subramaniam's proposed December 8 speech to the Council of State, U. S. Government would then compliment the Indian Government on strong new efforts and announce the opening of negotiations for a further extension of P.L. 480 for a longer period (but still limited).
- (d) When the U.S. Government resumes negotiations for economic assistance it will be made perfectly clear privately that assistance will be geared to the Indian performance in meeting their agricultural commitments and targets. In the alternative the President might direct that negotiations quietly resume prior to the Shastri visit. Such negotiations could provide a useful backdrop for the President's use at the time of the Shastri visit.

VI. Some personal observations

Recent events and my meeting with Subramaniam in Rome encourage me where Indian agriculture is concerned.

1. It appears that the Prime Minister is at last convinced of the need to depart from traditional agriculture techniques and use modern inputs, such as chemical fertilizer.
2. It appears that the Prime Minister's attitude which hitherto might be described as Fabian Socialist toward agricultural development has changed. Today agriculture commands a position at the top rather than at the bottom of the totem pole in priorities.
3. Recent public statements by the Prime Minister substantiate the changed attitude and increased attention now given to agriculture.

3--The President

4. Food and Agricultural Minister Subramaniam impressed me. He has drive and ability. He appears to hold a strong position in the Indian Cabinet and to have a good deal of political skill. He has been a steadfast supporter of the United States.

VII. Finally, it is my judgment, supported by the Indian specialists on my staff, that India can make the grade. It does have the physical resources. Its soils are for instance inherently far superior to those of Japan. Now that the Indian Government is targeting its goals and appears to be giving necessary priority in allocating its resources and we have some strong leverage to insist that they continue to do so, I believe significant progress can be made. It will be slow and tough, but it can be done.

142d

THE FOOD SITUATION IN INDIA

The food and agricultural situation in India during the coming year is forecast as critical. It may well be the worst food year in the history of independent India. This memorandum presents the latest thinking of knowledgeable people in the Department on the food prospects for the coming year, 1966.

Preliminary information enables us to construct a food grain balance sheet for India for 1965-66 with some alternative levels of consumption. These estimates refer to availabilities and consumption during calendar year 1966. A number of alternatives are presented in Table 1.

Table 1 -- Indian Food Grain Balance

Item	1964-65		1965-66		
			I Level of Imports to maintain Consumption:	II Level of Consumption with Imports Doubled	III Level of Consumption With Imports held Constant
			Million metric tons		
Production	88	78	70		78
Imports (all sources)	7	20	14		7
Supply	95	98	92		85
Consumption	95	98	92		85
Population (million)	482	496	496		496
Per capita consumption (kilograms)	197	197	185		171
Percent decline in per capita consumption from 1964-65					
				-6%	-13%

In 1964-65 India produced 88 million metric tons of food grains; it imported 7 million metric tons (6 million from U.S.); and consumed nearly its total supply of 94 million tons. This level of gross availabilities (it does not take into account losses which are substantial) made available

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Authority Agriculture 11/3/78
By jcl/mg NARA, Date 3-30-04

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196 kilograms of food grains per person. And, the food situation was tight. The economy has been operating on a ship-to-mouth basis with no prospect of building any carryover stocks.

Because of a bad monsoon, grain production this fall and in 1966 will inevitably be down substantially from the 88 million ton level in 1964-65. On this point there is no disagreement among either Americans or Indians. At this time, production is officially estimated at 78 million tons (down 10 million from last year). This should be considered the highest likely level of production, since many non-official observers estimate the shortfall to be several million tons greater than officially indicated. In the meantime the population has grown by 14 million people adding a minimum increase in demand of 2 million tons.

Three combinations of production, imports, and consumption for 1965-66 are presented in Table 1. With production of 78 million tons, it would take 20 million tons of imports (740 million bushels or well over half the U.S. wheat crop) to maintain last year's per capita consumption levels (alternative I). But, this is unrealistic since it would be impossible to move that much grain and reflects no belt tightening on the part of the Indians. The Indians will need to ration and increase food prices.

With production of 78 million tons and imports of 14 million tons, per capita consumption would be 185 kilograms per capita. This would result in a decline in per capita consumption of about 6 percent--about the maximum that could probably be tolerated (alternative II).

If grain imports in the coming year were held to last year's level of 7 million tons, per capita consumption of food grains would decline by 13 percent (alternative II). A decline of this magnitude would mean widespread starvation.

It must be emphasized that, in the case of India, average levels of consumption per person understate the problem. This is so because of the zonal restrictions which prevent the free movement of food grains about the country and the tendency for these restrictions to become more rigid as the food situation tightens. States with adequate food supplies will jealously guard them and prevent their movement to other States. Traditionally, deficit States such as Kerala and Uttar Pradesh and those with severe crop failure, have to rely very heavily on imports.

We stress this, because the Center Government of India has had great difficulty in breaking the growing monopoly power of individual States over food supplies.

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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

142e
November 15, 1966

MEMORANDUM

To: The President
The White House

From: Orville L. Freeman
Secretary of Agriculture

Subject: International Agriculture -- Food for Peace -- P.L. 480 --
Publicity

I. India - Food Supply Situation

The Indian Government roughly a year ago at our urging established a food corporation modeled after our own Commodity Credit Corporation so they would have the machinery to run an effective price support program. Without better farmer prices production will continue to lag. Since then some of the top professional and technical people from the Department of Agriculture have been in India. We helped them to draft the legislation and are now working with them in developing the administrative capacity to handle such a complex undertaking. Good progress is being made.

I receive periodic reports from our personnel in India on the food situation. We also keep informed on the next Five-Year Plan reviewing it with visiting Indian dignitaries as well as in India.

Currently one of our ranking economists in the foreign food field is in India under specific directions to review the preparation of their next Five-Year Plan in depth. Over the week end I received a cable from him reporting that the Indian food situation is more grave than we had heretofore realized. It is his estimate after reviewing the situation with Indians, United States personnel on the ground, and taking some independent readings that the crop is going to be significantly less than publicly predicted. The failure of the monsoon was apparently widespread and more serious than initially estimated. He recommends that we take under consideration moving additional grain before port facilities become clogged.

A detailed analysis of the current Indian food situation is in process and will be forwarded to your staff promptly.

DEC 7 1966

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2--The President

- II. Since your telephone call directive some weeks ago I have done everything in my power to minimize public attention in the International Agriculture - Food for Peace - P.L. 480 - Publicity area so the freedom of Presidential decision making will not be curtailed.

The level of interest by press, television and radio continues high, with both national and local media attention. I've tried to account for the intensity of interest. The following are having an effect:

1. Farm Organizations

All the farm organizations periodically make statements that so long as there are hungry people there is no reason why we shouldn't remove restrictions in favor of unlimited production. Many contend it would cost no more than the current programs to do so.

The Farmers Union Grain Terminal Association in St. Paul, with Bill Thatcher as its primary spokesman, has been trumpeting this line for almost a year. They are most careless with the truth. They contend that we could produce at a maximum with \$2.00 price supports for wheat and distribute that production around the world at no greater cost than the present program. This is completely false. Even if it were sound policy to do this the cost would be at least double the current programs not counting the necessary logistical support. Mr. Thatcher simply refuses to listen to reason. George McGovern follows this line, although he seeds his presentations with some comments that we need to have agricultural technical development and that we could not have unlimited production all at once. Even as conservative a publication as the Farm Journal has picked this line up in part.

2. Many farm politicians, to wit, Mundt, Dirksen and Young, follow this line. It is somewhat comparable to the support of such generally conservative legislators for utilization research. Farmers do not like to restrict production. Therefore, the officeholder needing votes looks for something he can advocate and avoid the touchy supply management grounds. Utilization has provided such a convenient outlet in the past, now it is unlimited production and feed the world. Religious and humanitarian groups of various kinds strongly advocate such programs based on human needs.

3--The President

Last Friday I spoke to the National Newspaper Publishers Association in Omaha and then The Grange in Topeka, returning that night. I had press conferences in both towns and found it ironical that for the first time in five years, rather than being questioned about surpluses, I was questioned about shortages.

3. I have been trying to avoid adding in any way to the current high level of interest. Instead I am trying to dampen it in every way possible. It is impossible of course to completely avoid exposure to press, radio and television media. My practice is to avoid speaking or commenting on the international agriculture subject. There are of course two alternatives when specifically questioned:

- (a) A "no comment" position.
- (b) A careful comment which will serve to dampen and de-emphasize attention.

I have concluded that (b) is the better course to follow because a studied "no comment" rather than dampening interest will stimulate it.

Therefore, I am currently handling specific questions directed to the international food and fiber area in the following manner.

- (1) The Food for Peace Program has been strengthened, expanded, and made more effective by this Administration. I then detail specifically how it reaches more people with a greater volume of food than before 1961 and how its tie-in with economic development in the receiving country has been significantly improved. I then go on to point out that it is not easy to give food away so that it will be effectively used by the receiving country, but we have learned a good deal, and we continue to experiment and learn how to do it more efficiently. Certain conditions I emphasize must always be met.
 - (a) The receiving country must have the organization and capacity to handle the food efficiently and to get it where it's needed without profiteering or corruption.

4--The President

- (b) It must not inhibit the agricultural development of the receiving country.
- (c) It must not disrupt free world commerce.

Finally I emphasize that we must keep in mind that it is not to our interests or that of the less developed countries to run a worldwide relief program forever. The LDCs do not want to be permanent relief clients. Rather we should use our food to help them to build their own agriculture so that they will become cash customers for our agricultural exports, rather than relief clients. Our own climbing agricultural exports make it clear that when less developed countries begin to make progress our own agricultural exports increase rapidly.

Finally I emphasize that in the long run the Western world, including the United States, does not have the capacity to feed the whole world for very long. If they do not strengthen their own agriculture not only will they fail to strengthen the economy of their own nation but some time in the not too distant future the capacity for food production worldwide will fall sharply behind the population demands with catastrophic results.

When I am questioned about P.L. 480 and what we propose to do next year when it terminates, my response to that question is the same as to all questions about the next Legislative Program, "It is currently under careful study and when the President makes decisions they will be announced as appropriate."

I take this occasion to set down in some detail as outlined above the best technique I have been able to develop to handle the media where this subject is concerned. So far I believe it can be said that we have not stimulated any attention and in some instances, I believe, have been able to dampen the level of interest by a dispassionate review of the facts as outlined above.

INCOMING TELEGRAM Department of State

Komer 143

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Action

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Info

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EXDIS

DEPARTMENT PASS AGRICULTURE SECRETARY FREEMAN

REF: EMBTEL 1399

1. SUBRAMANIAM REPORTS CABINET TODAY ADOPTED WITH ONE EXCEPTION NOTED BELOW ENTIRE PROGRAM INCLUDING TARGETS AND FUNDING COMMITMENTS CONTAINED IN ROME AGREEMENT.

2. THE ONE EXCEPTION WAS MATTER OF FERTILIZER DISTRIBUTION WHERE THERE WAS NO PARTICULAR OPPOSITION BUT ONLY DECISION MATTER SUFFICIENTLY COMPLEX TO WARRANT EXAMINATION BY A SUB-

PAGE TWO RUSBAE 276 ~~SECRET~~
COMMITTEE BEFORE A DEFINITIVE CABINET DISCUSSION. SUBRRAMANIAM WHOLLY CONFIDENT OF ACCEPTANCE OF PROGRAM IN THIS AREA ALSO IN PLENTY OF TIME TO MAKE GOOD HIS AGREEMENT WITH YOU TO ANNOUNCE BEFORE JANUARY 1.

3. CABINET HAS COMMITTED WITH FINANCE OF COURSE CONCURRING \$42 MILLION OF FREE FOREIGN EXCHANGE PLUS ADDITIONAL APPROXIMATELY EQUIVALENT \$10 MILLION OF SOVIET BLOC RESOURCES FOR IMMEDIATE PURCHASE OF IMPORTED FERTILIZER FOR NEXT KHARIF CROP. THUS HAS DECIDED TO SELF-FINANCE SUBSTANTIALLY MORE THAN THE 100,000 T NITROGEN INDICATED IN YOUR AGREEMENT. ALSO THEY HAVE OPTED TO DO THEMSELVES SLIGHTLY MORE EVEN THAN MISSION'S EARLIER PROPOSAL FOR A MATCHING \$50 MILLION FERTILIZER LOAN WOULD HAVE REQUIRED.

4. FULL SCOPE OF CABINET DECISIONS WILL BE REFLECTED IN SUBRAMANIAM LOK SABHA STATEMENT DECEMBER 7. WE URGENTLY HOPE FOR QUICK U.S. REACTION ALONG LINES DISCUSSED IN PREVIOUS MESSAGES. BESIDE LONGER-TERM PL-480, QUICK, FORTHCOMING U.S.

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Authority

PLJ 97-298 (*28)

By rlh

NARA, Date 3-29-04

DEC 6 1965

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-2- 1430 DEC 6 FROM NEW DELHI

POSITION ON NEAR-TERM FERTILIZER RESPONDING TO ABOVE INDIAN SELF-HELP DECISION WOULD BE PARTICULARLY HELPFUL.

5. WE STRESS AGAIN THAT NONE OF CABINET SAVE SUBRAMANIAM AND

PAGE THREE RUSBAE 276 ~~S E C R E T~~
PM AWARE ANY DETAILED U.S. SUGGESTIONS UNDERLVH TODAY'S
DECISION. THIS MAKES SELF-HELP QUALITY CABINET'S ACTION
DOUBLY CONVINCING BUT ALSO MAKES IT ESSENTIAL NO WASHINGTON
STATEMENT REFER TO FREEMAN-SUBRAMANIAM AGREEMENT.

GP-3.
BOWLES

NOTE: PASSED S/S-0 12-6-65 8:20 a.m.
PASSED WHITE HOUSE 12-6-65 8:45 a.m.

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144

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

December 3, 1965

Mr. Harold H. Saunders
National Security Council
EOB Bldg. Rm. 372

Per conversation, the fertilizer specifics are on pages 4 and 5 of the first paper.

Att.

CHR

C. Herbert Rees
Director, Office of So.
Asia Affairs

DEC 3 1965

India
econ

144a

11/19/65

I. Advisability of Major Legislation -- A Food Act

A Food Act put forward by the Prime Minister would be an effective way to mobilize public opinion and support for a full scale, top-priority, development program to combat the food crisis which faces India.

These are the main elements which should be included:

1. The preamble would refer to the bedrock necessity of encouraging significant food production increases in the immediate and longer-term future to meet the needs and demands of India's present and growing population and to meet the needs of the national defense.
2. The Act would put in specific terms what is contained in the Fourth Five Year Plan for food and agriculture, and what is authorized or to be authorized in the forthcoming annual budget.
3. The proposed Act should be a near-closing part of a major program presentation by the Prime Minister to Parliament, backed up to the greatest possible extent by unified GOI Cabinet support. It should focus on the current factual outlook for food and agriculture and stress the somber prospects confronting India unless more vigorous measures are taken, beyond rationing and regulation by GOI of inter-state food movements. It should include as well the vital aspects of food for defense and the critical roles of family planning and greater freedom in the private industrial sector within the dimensions of the Fourth Plan.
4. The Act should be a blueprint for action, including enough program details to indicate specifically what will be done and how.
 - a. Fertilizer. This section would nail down the specific plant capacities and fertilizer supplies to be authorized by the plan, the public expenditures and private actions during the next 12-month period.

DEC 3 1965

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- b. Seeds. This section would expand the authorities and resources of the Seeds Corporation to assure acquisition of needed seed supplies from all sources, particularly new varieties; to acquire and build the necessary facilities for seed multiplication plants and farms; and to provide practical demonstrations of the optimum uses of the seed.
- c. Food production credit. This section would express the intent to supplement existing credit sources to cultivators by the establishment of a National Agricultural Credit Corporation with a significant capitalization. In its first year of operation it would work through Federal Reserve and State credit institutions to the maximum extent necessary to place timely credit available to cultivators.
- d. Insecticides and Pesticides. This section would lay out what specific resources will be available and what programs and procedures are to be followed by the States in administering these activities in reducing food losses through unnecessary insect and pest damage.
- e. Water. This section would lay out the authorization for GOI to establish and make available to cultivators, through the States, the necessary and specific supplies of piping, pumps, motors, and power.
- f. Administration. This section would make it clear that normal processes heretofore in effect in obtaining financial approval for individual expenditures all along the line will not govern GOI actions under the preceding sections, but will direct the Ministry of Finance and the Ministry of Home Affairs to develop new expeditious procedures for the approval of the President and the GOI so that the financial backing for the plan is not delayed or jeopardized.

II. Federal State Relations

In view of the critical situation resulting from shortfall of the current grain crop, what can be done to insure that domestic supplies are not hoarded in the surplus states but are equitably distributed?

Authority to do this is vested in the National Food Corporation. This central authority to requisition or obtain supplies and to move them where needed must be clearly established. The roles of the State agencies should be subordinated to the central authority.

III. The Critical Fertilizer Issue

Fertilizer is the key element in accelerating agricultural production. Requirements in 1970 total 4.6 million tons, including 2.6 million tons of nitrogen, 1.3 million tons of phosphate and 800 thousand tons of potassium. To reach these targets will require 1 to 1-1/2 billion dollars of imports over the next 5 years (See table, page 5).

India's Third Plan which ends next spring had fertilizer targets less than half 1970 targets. Actual performance was only one-third of the Third Plan targets. Current capacity is about 450,000 tons but production is less than 250,000 tons, an average operating rate of 50-55 percent.

The steps taken to meet next plan's targets must be realistic in terms of insuring a sufficient supply and its effective distribution and use.

Increasing Production

1. The critical need is for private capital from abroad to build up India's fertilizer industry. Proposals in various stages of negotiation are dragging along without real hope of being realized. India must adopt an attitude more sympathetic to attracting foreign investment to obtain needed capital. India must be prepared to pay the necessary price.

Three fertilizer plant proposals are under serious negotiation: (a) Birla-Armour with a capacity of 350,000 tons of nitrogenous fertilizer; (b) joint GOI-Imperial Chemical Industries -- 200,000 tons of nitrogenous fertilizer; and (c) GOI-Standard of Indiana Oil Company -- 200,000 tons of nitrogenous fertilizer and 85,000 tons of phosphate fertilizer.

For nitrogenous fertilizer, these projects total 750,000 tons. Capacity by 1967 for plants in being or under construction is estimated by AID/India at 800,000 tons. It takes at least 3 years to construct a plant, but in India it has taken more like 8 years. Unless new projects are started quickly and performance a lot better, there is little hope of reaching the target of 1825 thousand tons produced by 1970-71.

Other prospects include: (1) a loan application submitted to AID to finance a public sector plant with 135,000 tons of nitrogen capacity and 110,000 tons of phosphate; (2) studies for a proposed public sector plant to produce 200,000 tons of nitrogen and 85,000 tons of phosphate; and (3) a Coromandel project under construction sponsored by California Chemical Company and International Minerals and Chemicals Corporation to provide 80,000 tons of nitrogenous fertilizer and 75,000 tons of phosphate fertilizer.

2. To cut red tape and paper work, and speed up meaningful negotiations, establish a cabinet level interministerial committee as the sole center government agency with whom foreign investors need deal in order to obtain the center government's approval of a fertilizer project.

This Committee should have sufficient staff and authority to enable it to coordinate the views of all the GOI Ministries interested in the development of fertilizer projects and to grant all necessary approvals on behalf of the center government.

The Committee should also, to the maximum extent feasible, assist investors in obtaining any necessary approvals from state governments and insuring that the ancillary facilities required for the construction and operation of fertilizer plants are made available as required. The Committee should offer a single office of recourse for private investors who are encountering difficulty at any stage in implementing their fertilizer projects.

3. The Committee, on behalf of the GOI, should be authorized to issue a single, blanket license for the approval of privately sponsored fertilizer projects in lieu of the present system of requiring separate approvals of the basic project, the capital equipment to be imported to build the plant, the equity shares to be issued, and the tax exempt status of foreign technicians to be employed in operating the plant.

The Committee's approval of the basic scheme should automatically carry with it the final government approval of the project's capital structure (unless a public issue is involved), the import of such capital equipment as the owners of the plant believe is required, and the tax exempt status of such number of foreign technicians as the directors of plant believe it necessary to employ.

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4. Establish that once a privately sponsored fertilizer project is approved by the government, the project shall not be subject to any increase in duties which thereafter may be enacted on the import of capital equipment.
5. Authorize and assist privately sponsored fertilizer projects in obtaining directly loans to insure the availability of the foreign exchange required to finance the project's entire seeding program and multi-year raw material import requirements.
6. Adopt a flexible policy toward majority foreign ownership of fertilizer plants.
7. With many existing plants operating far below capacity, steps must be taken to improve performance to capacity levels.

Increasing Imports

8. The GOI should give a very high priority in allocating foreign exchange to importing sufficient quantities of fertilizer to supplement domestic production and insure that fertilizer availabilities reach target levels.

To meet targets (including fertilizer materials needed for domestic production) will require some 200 million dollars in 1966 and over 350 million in 1970.

India's reserves are probably only 50-75 million dollars above the minimum required for their currency. Last year, India generated 1.8 billion dollars from exports, received aid from U.S. and other countries of 1.5 billion, and business investment of 1.6 billion. Including other earnings and private remittances, the total receipts were about 5-1/2 billion dollars. External debt service payments alone are taking over 300 million a year.

Unless top priority is established for fertilizer exports, foreign currency will go for other uses. Additionally, to the extent that domestic production fails to meet its target, foreign exchange for imports would need to be increased over and above these estimates.

As a minimum, 2 billion dollars of exchange will be needed for fertilizer, seed and other factors of farm production to meet the targets of the Fourth Plan over the next five years.

Improving Distribution

9. The GOI eliminate price controls on the sale of fertilizers.
10. The GOI eliminate its central nitrogen pool and authorize all manufacturers of nitrogenous fertilizer, whether public sector organizations or private companies, to establish their own distribution arrangements. At a maximum the government should have a right for a limited number of years to buy a small percentage (say 25%) of private manufacturers' output to distribute in the areas which it would be uneconomic for private manufacturers to service.
11. In any interim prior to the termination of the pool, the profits realized by it should be reinvested in expanded efforts to promote the use of fertilizer.
12. All distributors of fertilizer, whether public sector organizations, cooperatives or private companies, be authorized to market their products in any geographic area including those now served exclusively by cooperatives.

Improving Credit Availability

13. An appropriate independent center government agency exercise effective regulatory control over the operations of the cooperative credit societies with the object of inducing the cooperatives to develop simplified procedures, to be more efficient and equitable in the processing of applications, and more effective in supervising credits.
14. The GOI establish, with adequate funds and administrative support, an alternative and competitive system to that of the cooperatives for providing credit to finance the purchase of fertilizer. Such alternative system should have access to government sponsored credit on the same terms as the credit the government makes available to cooperative societies. In particular, private distributing companies should be given access to sufficient credit, on the same terms as the GOI sponsored credit provided to co-ops, to enable such distributors to finance directly their retail sales.

15. Induce institutions offering agricultural credit to (1) provide increasingly for credit and repayments in kind, particularly for small cultivators and (2) provide credit on terms which are compatible with the present structure of land ownership in India and the existence of tenant farming.

IV. Other Production Inputs Required

While fertilizer is the top priority input, other factors of production need to be improved as well. The information on these is fragmentary. Two questions are pertinent: What are the specific targets for the other inputs such as pesticides, seed improvement, irrigation, etc.? What are the specific steps to be taken to realize those targets?

1. Very preliminary information on irrigation contained in the Fourth Five Year Plan memorandum indicates a total outlay of 4.5 billion rupees (about 900 million dollars) is scheduled for minor irrigation. This expenditure level should be doubled.

Most of the past minor irrigation investment has been for defensive irrigation. This supplies adequate water to protect against total crop failure, but does not make available sufficient water for intensive agricultural production based on multiple cropping patterns. A strong drive towards intensive irrigation investment should be made by the GOI.

This will require large investments by cultivators and the GOI in tube wells, pumps, drilling equipment, etc. A clear plan and adequate earmarked expenditure goal for the Fourth Plan is essential to replace present vague objectives of adding 4-5 million new acres each year.

2. Substantial amounts are also essential for domestic programs for other inputs such as pesticides, seed improvement, and land improvement. These figures should be developed and built into the budget process. They should include, for example, improved seeds, large scale multiplication of seeds and effective distribution and information for use; adequate supplies of pesticides and insecticides available to cultivators, instruction on use, and large scale control programs, such as aerial spraying.

Plans to parlay the present 3,500 acres of new seed varieties to 40 million acres of improved rice and 10-11 million of wheat by 1970 must be made specific.

3. The items above require 300 million dollars during the Fourth Plan period. Priority for foreign exchange must be arranged.
4. Special attention will have to be given to the supply and terms of rural credit. A substantial overhaul of the entire rural credit structure may be in order. Also, every effort should be made to expand the role of private credit institutions in agricultural investment. Both the credit institutions and terms of credit should be designed to meet the future need of cultivators with respect to specific investments. The credit needs for irrigation investment are different than those for fertilizer. The rural credit structure must be tailored to accommodate these differences.

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V. The Population Problem

Over the longer run, the rapid growth of population -- over 10 million a year -- will make very difficult, if not impossible, closing the gap between food production and food requirements. What is the target and what is being done to effectively attain it?

Mr. Ashok Mehta, Vice Chairman of the Planning Commission, has made a very strong statement on the need for retarding the rate of population increase and in support of a Crusade for Family Planning. This needs to be implemented in concrete terms and financed in a specific budget item.

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THE RECENT HISTORY OF INDIAN AGRICULTURAL PRODUCTION

The final test of a country's ability to feed its people lies in its record of food availability. For the past 5 years India has written a very poor record (table 1).

During this period agricultural production has stagnated while population and food needs have soared. Even in the face of rising food grain imports which nearly doubled during this period, per capita supplies of food declined. In 1961 the gross per capita availability of food grains was 195.2 kgs. This has dropped steadily, with the exception of the unusual production year 1964-65, to an anticipated level for 1965-66 of 176.0 kgs. In terms of net per capita consumption--the amount available for human consumption--the decline was from 171.8 kgs. for 1960-61 to 154.9 kgs. in 1965-66.

Thus, during the past 5 years, period of time equal in length to a full Indian development plan, the food situation has been steadily deteriorating in spite of greatly stepped up food assistance from the U.S. This is not a record of achievement that the U.S. can continue to live with.

Table 1.--Food grain production, imports and consumption, 1960-61 - 1965-66.

Year	Pro- duction : 1,000 MT	Imports : 1,000 MT	Con- sumption : 1,000 MT	Popu- lation : Millions	Total avail- ability : per capita : Kgs.	Net con- sumption : per capita : Kgs.
1960-61.....	80,965	4,424	85,389	437.5	195.2	171.8
1961-62.....	81,036	3,346	84,382	447.9	188.4	165.8
1962-63.....	78,448	4,408	82,856	458.7	180.6	158.9
1963-64.....	80,181	4,900	85,081	469.8	181.1	159.4
1964-65.....	88,180	7,400	95,580	482.7	198.0	174.2
1965-66.....	80,000	7,400	87,400	496.0	176.0	154.9

November 19, 1965

BULK WHEAT MOVEMENTS TO INDIA

Export Capacity in the United States

We anticipate there would be no difficulty to increase wheat exports to India from six million tons to nine million tons.

It is estimated that current unused capacity of wheat export facilities substantially exceeds the three million ton figure. There may be some congestion involved in a particular port but reasonable allocation of the increased tonnage among ports should avoid this problem.

Receiving Capacity in India

An increase of exports from six million tons to nine million tons or an average of 750,000 tons monthly is likely to be more than India is able to receive unless facilities are improved.

Under normal conditions and excluding monsoon periods (latter part of June to mid-September) India is capable of receiving approximately 600,000 tons of wheat per month. To increase Indian imports by 100,000 tons monthly would put strain on port, domestic transportation, and storage facilities.

Shipping Availability

Sufficient shipping would be available to transport an increase of three million tons to India.

The increase would be transported mainly on foreign flag vessels since relatively few United States flag ships will be available, at least for the next few months, to carry wheat to India.

It is likely that an increased demand for foreign flag ships would result in a rate increase for such shipping. The Indians now pay the foreign flag rate for all wheat cargoes, whether they are U.S. ships or foreign flag.

MEMORANDUM

Original
144d
W. Purst
12-3
November 13, 1965

To : The Secretary
The Under Secretary
Dorothy Jacobson
✓ Nathan Koffsky

From : Les Brown JRB

Subject: Some items for discussion in Rome.

Originally, I had intended to focus this memo on the next Five Year Plan, but given the seriousness of the current situation it might be better to focus on the short run. India has two crop seasons, one is the kharif or summer crop, usually planted in the summer and harvested during November-January. This is the main crop accounting for two thirds of the total crop. The winter or rabi crop is being sown now for harvest in April and May.

Some early estimates of the summer grain crop are now becoming available. The attached table, drawing on information from several sources and using numbers whenever available, sketches the general dimensions of the problem. Although production is not likely to be off by nearly as much as the state estimates indicate, the gap between food production and food needs will be without precedent. The numbers given in the table account for more than one third of the total foodgrain crop. Two or three minor states are omitted. It does not seem likely that any state will reach last year's production levels.

Prospects for the rabi crop now being planted are not very good either. Soil moisture levels are low and many irrigation reservoirs are only partly filled.

Minister Subramaniam will likely have a more complete and more up to date crop prospects table when he arrived in Rome. He is in Maharashtra today surveying the situation. Both U.S. and Indian observers have reported the likelihood of famine or near famine in Maharashtra within the next few months.

In states such as Maharashtra and Madhya Pradesh where crops averaged less than half of last year's, some districts experienced total crop failure. Several /are districts in Rajasthan, where the monsoon failed completely, /also reported to be on the verge of famine.

If Minister Subramaniam thinks there is still a possibility of getting some fertilizer in time for next year's summer crop, he will likely want to explore the possibilities of trying to get enough AID nonproject funds released for this purpose.

DEC 3 1965

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EARLY ESTIMATES OF APPRAISALS OF FALL GRAIN CROPS GIVEN BY INDIVIDUAL STATES
IN INDIA

<u>State</u>	<u>Crop</u>	<u>1964/65</u>	<u>1965/66</u>	<u>Change</u>	<u>Change</u>
		----- million metric tons -----			percent
Andhra Pradesh	rice ^(scarse) ↳ grains	4.6	4.2 "down sharply"	-0.4	-0
Assam	foodgrains	"crop should be close to last year"			
Dihar	rice & corn	5.4	4.0	-1.4	-26
Cujarat	fall food- grains	2.5	1.3	-1.2	-48
Kerala	rice	"growing conditions have been favorable"			
Madras	foodgrains	"crop looked good earlier but now beginning to wither"			
Maharashtra	rice	3.4	1.4	-2.0	-59
Madhya Pradesh	rice	3.5	1.4	-2.1	-60
Mysore	foodgrains	"worst in 63 years --- every area affected"			
Crissa	rice	4.0	3.0	-1.0	-33
Punjab	foodgrains	"crop will be down slightly"			
Rajasthan	foodgrains	"down sharply from last year"			
Uttar Pradesh	fall food- grains	5.9	5.5	-0.4	-11
West Bengal	fall food- grains	7.5	4.5	-3.0	-40
		<u>36.8</u>	<u>25.3</u>	<u>11.5</u>	<u>-31</u>

NOTE: In a scarcity situation shortfalls are invariably greatly overstated by the State Government so as to improve their prospects of getting foodgrains from Center Government stocks. The numbers appearing above are thus not to be used as such. Actual shortfalls may be say only half of those reported. Nonetheless, the shortfalls are pervasive and the prospects are grim.

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THE FOOD SITUATION IN INDIA

The food and agricultural situation in India during the coming year is forecast as being critical. It may well be the worst food year in the history of independent India. This memorandum presents the latest thinking of knowledgeable people in the Department on the food prospects for the coming year, 1966.

Firsthand assessments of the current Indian food situation are in from Les Brown (memo of November 8 and cable of November 10) and Arthur T. Thompson who just returned from India on a price support mission. Their assessment of food production, based on travel and conversation with key Indian officials, enables us to construct a food grain balance sheet for India for 1965-66. These estimates refer to availabilities and consumption during calendar year 1966. A number of alternatives are presented in table 1.

Table 1.--Indian Food Grain Balance

Item	1964-65	1965-66		
		I	II	III
		-----Million metric tons-----		
Production.....	87	80	80	80
Imports (all sources)...	7	16	10	7
Supply.....	94	96	90	87
Consumption.....	94	96	90	87
Population (million)....	480	490	490	490
Per capita consumption..	196 kg.	196 kg.	184 kg.	172 kg.
Percent decline in per capita consumption from 1964-65.....		-	6%	9%

In 1964-65 India produced 87 million metric tons of food grains; it imported 7 million metric tons (6 million from U.S.); and consumed nearly its total supply of 94 million tons. This level of gross availabilities (it does not take into account losses which are substantial) made available 196 kilograms of food grains per person. And, the food situation was tight. The economy has been operating on a ship-to-mouth basis with no prospect of building any carryover stocks.

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Authority Agriculture Tr. 3/20/78

By JRM. NARA, Date 3-30-07

DEC 3 1965

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Because of a bad monsoon, grain production this fall and in 1966 will inevitably be down substantially from the 87 million ton level in 1964-65. On this point there is no disagreement among either Americans or Indians. At this time, the most probable level of production would be 80 million tons (down 7 million from last year). In the meantime the population has grown at least by 10 million people adding a minimum increase in demand of 2 million tons.

Three combinations of production, imports, and consumption for 1965-66 are presented in table 1. With production of 80 million tons, it would take 16 million tons of imports to maintain last year's per capita consumption levels (alternative I). But, this is unrealistic since it would be impossible to move that much grain and reflects no belt tightening on the part of the Indians. The Indians will need to ration and increase food prices.

With production of 80 million tons and imports of 10 million tons, per capita consumption would be 184 kilograms per capita. This would result in a decline in per capita consumption of about 6 percent--about the maximum that could probably be tolerated (alternative II).

If grain imports in the coming year were at last year's level of 7 million tons, per capita consumption of food grains would have to decline by 9 percent (alternative II). A decline of this magnitude would mean widespread starvation.

With 10 million tons indicated as the absolute minimum, an increase of U.S. shipments of at least 3 million tons or 50 percent above the 6 million tons we shipped this past year would be required. It is assumed that India would continue to obtain 1 million tons from other sources as last year.

It must be emphasized that, in the case of India, average levels of consumption per person understate the problem. This is so because of the zonal restrictions which prevent the free movement of food grains about the country and the tendency for these restrictions to become more rigid as the food situation tightens. States with adequate food supplies will jealously guard them and prevent their movement to other States. Traditionally, deficit States such as Kerala and Uttar Pradesh and those with severe crop failure, will have to rely very heavily on imports.

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The severity of this is underscored when we consider the fact that there are over 80 million people in the State of Uttar Pradesh who are likely to be at the mercy of grain imports. We stress this, because the Centre Government of India does not have the political power or administrative machinery to break the growing monopoly power of individual states over food supplies.

Getting at least 10 million tons of grain imports is not the only problem on the Indian food scene, nor is making available at least an additional 3 million tons the only consideration the U.S. faces. The movement of this much grain would involve a tremendous effort.

India imported 7 million tons of grain last year. It had to strain to do that much. Moving an additional 3 million tons through its ports and distribution system would be a Herculean task! Top priority would have to be given to food imports and for railroad and truck transport. Numerous mechanical unloading devices and technical assistance would have to be provided by the U.S. at a substantial cost if the job were to be accomplished.

On the U.S. side we have to consider problems of grain movement and shipping capacity which is now tight.

Time is an all important factor! Every month that goes by means the same total quantity of food grains would have to be moved at a faster rate. If 10 million tons of food grains were scheduled to be imported by India over a 12-month period, it would require imports of 833 thousand tons per month--more than ever before. But, if India were to continue at its present rate of imports of 500,000 tons per month for 6 months, it would have to import 7 million tons in the remaining 6 months or nearly 1.2 million tons per month. This would be impossible to achieve. If the U.S. had to move an additional 3 million tons to India over only a 6-month period, we would be bumping up against our export capacity and special steps would be required.

Each month of delay makes the job more difficult for both India and the U.S. Too much delay will make the task impossible.

Agriculture
11/16/65
Martin E. Abel
Arthur T. Thompson
Charles F. Kiefer

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THE LONG-TERM FOOD SITUATION IN INDIA

The long-term food outlook in India is in many ways an extension of the critical short-term situation. The Government of India has delayed so long and in so many areas of agricultural development that future delays could easily turn the short-run food crisis into a perpetual one of fantastic dimensions. Thus, neither the G.O.I. nor the United States can afford to divert any attention or resources away from agricultural development during the pending food crisis. If anything, more energy will have to be devoted by both governments in the immediate future.

Further, the G.O.I. has been willing to take meaningful action in agriculture only during a crisis. It will shortly be in the midst of a most critical one, and they well know it. It may be a time when the U.S. can exert maximum influence on the shape of future agricultural development. We might be able to use food aid not only to avert immediate disaster, but to induce changes in Indian policies and actions toward a more favorable rate of agricultural development.

A discussion of the long-term agricultural development prospects bears directly on Minister C. Subramaniam's letter of August 30, 1965 in which he spelled out India's plans and policies for producing food enough. We, therefore, present our views on certain specific aspects of future agricultural development, and pose questions whose answers either from Mr. Subramaniam or from the G.O.I. generally would indicate the seriousness with which agricultural development is viewed in India.

The tone of the Minister's letter is that if the needed inputs are made available, India will be self-sufficient in food production by 1970-71. We don't agree with the Minister on total self-sufficiency, but certainly India will have gone a very long way toward solving its food and agricultural problem if the needed inputs are made available. The big issue that is unanswered in the Minister's letter and needs further exploration is not only what it will take in the way of inputs, but what will be done by the G.O.I. to insure that the needed inputs will be made available to cultivators in adequate amounts. It would be most valuable to the Government of the United States if it had a bill of particulars from the G.O.I. that (a) indicated agricultural development was being given top priority, (b) spelled out specific program actions to be taken to effect a satisfactory rate of food and fiber output, and (c) allocated sufficient resources to this effort to insure its success. One way this could be done is for the G.O.I. to present a Food and Agriculture Bill to Parliament which spelled out not only what was going to be done, but also how it was to be accomplished

DEC 3 1965

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Authority Agriculture Hr. 3/20/78

By JCL/mg NARA, Date 3-30-04

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and financed. To give this Bill the priority and total Government support it deserves, it could be presented by Prime Minister Shastri rather than by the Minister of Food and Agriculture.

Fertilizer

Probably the most important element in accelerated agricultural development is increased availability of fertilizers to Indian cultivators. The G.O.I. and U.S.A.I.D./India are getting close together on future requirements--2.4 and 2.6 million tons of nitrogen by 1970-71, respectively. In addition, 1.3 million tons of phosphatic and 670 thousand tons of potassic fertilizers will be required. The Minister recognizes that even with a crash program in fertilizer plant construction, substantial imports will be required for several years to come. His estimate of between \$800 million and \$1,600 million of imports over the next 5 years is in line with U.S.A.I.D./India estimates.

Thus, we can pose the following questions:

1. What is the G.O.I. doing to maximize fertilizer production from existing plants? The past record of operating at only about 40 percent of capacity is a very poor one.
2. What is the G.O.I. doing to attract foreign private investment for fertilizer plants? What steps has the G.O.I. taken to make fertilizer production and distribution a profitable enterprise that will attract investment?
3. What steps has the G.O.I. taken to insure the availability of foreign exchange for the importation of fertilizer? What categories of imports will be reduced to make this exchange available? To what extent will it rely on external financing and how does it plan to get it?

Note: The total package of decisions involving fertilizer goes far beyond Minister Subramaniam's jurisdiction. They must be made on a government-wide basis and involve most directly the Prime Minister, the Minister of Finance, and the relevant minister of industry. Thus, it is ultimately up to Prime Minister Shastri to make the necessary decisions.

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Improved Seed Varieties

Progress has been made in the development and introduction of improved varieties of rice, wheat, maize and sorghums. But before these new varieties can be of widespread benefit they must be multiplied in sufficient quantities, effectively distributed to cultivators, and used in conjunction with adequate amounts of fertilizer and water.

These questions are relevant:

1. What steps are being taken now to get large scale multiplication of these seeds?
2. What actions are being taken to effectively distribute these seeds to cultivators along with the necessary information on how to use them? (Without fertilizer the new varieties yield no better than the old ones.)
3. What steps are being taken to develop a larger variety of improved seeds that are adapted to local conditions and resistant to disease?

Minor Irrigation

Concomitant with fertilizer and seed must be adequate water supplies. The G.O.I. has followed a practice of investing in "defensive" irrigation; i.e., provide enough water to prevent disastrous crop failure. This is not an adequate policy for achieving intensive irrigation systems under which several crops can be harvested during the year from the same acreage. And, it is this latter type of system that is needed in India to develop the needed intensity of production.

Much can be done along these lines by cultivators themselves. This is particularly true for field and irrigation canal development and sinking of small tube wells. More will have to be done by the G.O.I. to make piping, small motors, pumps, and fuel or electricity available to cultivators. Too, adequate credit for financing these investments will be needed.

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Questions:

1. What studies has the G.O.I. underway on the feasibility of more intensive irrigation based on small tube wells?
2. What steps have been taken to provide cultivators with piping, pumps, and motors and the fuel or electricity to run them?

Insecticides

The loss of food supplies through insect and pest damage both in the field and in storage is a sizable one. This is a particularly acute problem in a situation of food shortages. It is very important that the G.O.I. move ahead rapidly on a nationwide program of pest control. Along these lines we can ask:

1. What has the G.O.I. done to insure that adequate supplies of pesticides and insecticides are made available to cultivators in appropriate form and time?
2. What programs are underway to educate cultivators and grain storers in the use of pesticides and insecticides?
3. What steps have been taken to institute large area programs of control such as aerial spraying?

Credit

Cultivators will have great difficulty taking up new and improved agricultural practices if they are unable to finance the investments. Adequate supplies of timely credit on proper terms are absolutely essential for more rapid agricultural development. Thus:

1. What is the G.O.I. doing to overhaul its present agricultural credit structure?
2. What credit institutions does it plan to establish to supply cultivators with both long and short-term loans?

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3. What amounts of credit are estimates to be needed and how will these needs be met through the total financial structure?

Price Supports

The G.O.I. has established a policy of incentive price supports and an instrument, the Food Corporation of India, for insuring these minimum prices and managing food supplies. The Corporation has made some operating progress. Producer prices are at levels sufficiently high to provide production incentives. This is due more to the tight food situation than to the Corporation's activities. But the Corporation has been quite ineffective in managing food supplies in the recent food crisis and, therefore, moving in the direction of a national food policy. Resistance on the part of individual States to allow the Food Corporation to operate on an effective scale has been a major stumbling block. In fact, the growing autonomy of States has moved the G.O.I. and the Food Corporation away from, rather than toward a national food policy.

1. What steps are being taken to insure price supports to cultivators?
2. What steps are being taken to reverse the trend toward growing State control over food supplies?
3. What type of bargaining power is needed by the Food and Agriculture Minister to evolve an effective national food policy?
4. What role does food aid play in (3)?

The United States is deeply concerned with the lack of progress in Indian agricultural development and the apparent unwillingness to take the hard steps necessary to remedy the situation. The above questions might be addressed to Minister Subramaniam. His replies to them would give some indication of what new steps the G.O.I. is preparing to take on the agricultural front. It may serve to re-establish a dialogue between the G.O.I. and the U.S. on agricultural matters that would break the current deadlock in discussions and permit progress on specific and critical elements of Indian agricultural development.

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Agriculture
11/17/65
Martin E. Abel
Arthur T. Thompson
Charles T. Wilson

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OUTGOING TELEGRAM Department of State

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EXDIS

FOR AMBASSADOR FROM SECRETARY FREEMAN.

Please communicate to Subramaniam that I have reviewed our Rome agreement with the President who is pleased with the steps taken and contemplated by the Indian Government to strengthen Indian agriculture. The President looks forward to Subramaniam's outlining his program including points agreed upon at Rome publicly as soon as possible, perhaps when he addresses Council of State as he suggested at Rome he would do soon. Decision on PL-480, both extension period and amount, and fertilizer loan under ~~sub~~ active consideration.

GP-1

END

RUSK

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Authority *FRS 64-108 vol. 25 #257*

By *jc* NARA, Date *3-29-04*

Drafted by:

Sec. Freeman

Tel. Ext.

Telegraphic transmission and

classification approved by:

S/S:O:A.H. Douglas, Jr.

Clearances:

NEA/SOA:C.S. Coon & S. Sober (informed)
S/S:Mr. Thompson (informed)

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REPRODUCTION FROM THIS COPY IS PROHIBITED UNLESS "UNCLASSIFIED"

Italy 2,300,000 tons ¹⁴⁶
Commit unknown

Sweden 250,000 surplus
100,000 tons might
be available

* Greece 400,000

UK 400,000 surplus
200,000

Mexico ?

* Syria 100,000
(pay)

Corn

+ Brazil - corn 500,000 tons corn
Thailand - corn
contracted to

Sudan 25,000 tons.

Thailand
Burma
Brazil
Egypt

Rice

Basic question: World wheat supply situation over next 6 months.

Jardin
2/10/07

(1) What ~~tries~~ ^{in excess of domestic requirements} of world
produce wheat? ⁽²⁾ What percentage
is surplus production? Are interested
in proportional contribution.

146a

How much
(3) (or what %) of other wheat available for export
over next 6 months is still uncommitted? What
~~of~~ is available from US?

December 1, 1965

INDIA GRAIN IMPORT CAPABILITIES

The Government of India has demonstrated its ability to import 600,000 tons of Public Law 480 wheat per month except during the monsoon period (mid-June to mid-September) when imports drop to no more than 500,000 tons per month. In recent years, India's Public Law 480 wheat imports have not exceeded these amounts.

An increase in monthly imports to 700,000 tons per month--except during the monsoon period, when imports should be limited to 500,000 tons per month--would strain existing port facilities, domestic transportation and grain storage facilities. A sustained program undertaken within the next few months at this level could result in bunching vessels at Indian ports, incurring substantial vessel demurrage charges (for the account of the Indian Government) and increased freight rates amounting to perhaps \$2 per ton. If India could spend six to nine months in preparing to receive this quantity of wheat (including expenditure of substantial amounts of convertible currency for equipment and port modernization) such a program would be feasible within a year.

An 800,000-ton per month Public Law 480 wheat program launched within the next six months, even with an appreciable decrease during the monsoon, would be extremely difficult to carry out. Additional ports and facilities not customarily used for grain movements would have to be utilized; other export and import commerce would have to be curtailed; and a crash program calling for construction of grain storage facilities,

acquisition of lighters and lighterage equipment, procurement of pneumatic grain discharge equipment, modernization of present domestic rail and truck facilities including procurement of new equipment (and possibly adjustment of longshoremen's contracts) would have to be undertaken. With a program of this magnitude, foreign vessels would have to carry approximately 75 percent of the cargo and their rates could easily increase \$5 per ton. This estimate is based upon a comparatively stable market. In the event of unusually large cash wheat sales (such as to the U.S.S.R.), such rates might well rise an additional 20 percent.

A program calling for a million tons of wheat per month to India within the next six months or a year would create a chaotic situation in India, and it is extremely doubtful whether Indian port and domestic facilities would be adequate to handle the first month's imports. We believe such a program would choke off other Indian commerce and the risk of substantial loss or damage to the wheat because of the inability to move it into consumption channels.

On the other hand, if the program were started at a relatively modest level, such as 700,000 tons per month, with a gradual buildup when the Indians have demonstrated their ability to handle this quantity and have taken steps toward the required improvements, an expanded program would have a good chance of success. It is doubtful, however, that more than an 800,000-ton capacity (exclusive of monsoon periods) could be created within the next year.

REVIEW OF WORLD WHEAT SITUATION
(as of November 20, 1965)

Summary

World wheat trade in 1965-66 is expected to be over 8 million tons above the 1964-65 level, due to short crops and large purchases by Communist countries. Supplies available and advance sales commitments covering 1965-66 exports by the four major U.S. competitors (France, Argentina, Australia, and Canada) are such that these countries seem likely to export at least 32 million tons (as against 26.4 last year) and possibly as much as 35.1, depending upon market conditions and progress of the season. Total U.S. exports should reach at least 20.6 million tons, including 6.5 million tons for cash. Given favorable conditions, both figures could rise by as much as 2.5 million tons owing to the possibility of even larger cash sales.

Production

The 1965-66 world wheat crop now seems likely to total 242-244 million metric tons as compared with about 253 million last year. Among Communist countries, production appears down by nearly 13 million tons, while among Free-World importing areas, (all countries except the Big V-U.S., Canada, Australia, Argentina, and France) the crop is up by about 5.4 million tons. Canada and France harvested large crops, but Australian and Argentine production will each be down by about 3 million tons from last year.

Import Requirements (see Table 1)

Current indications are that world import requirements will be at least 8.6 million tons above last year for the July-June period. Actually, among Free-World countries, the import requirement will be down by about 0.7 million tons (assuming imports into India are about the same as last year). The great change in world import requirements therefore, apart from allowances for normal consumption changes, is due entirely to Communist areas, where import needs are increased by roughly 9 million tons. In Western Europe (excluding France) net import requirements are down by about 310,000 tons, and in Japan there is a slight increase of nearly 100,000 tons.

The cash world market in 1965-66 is estimated at 40.3 million tons, with the Communist Bloc (including Yugoslavia) showing an increase of about 9.7 while the Free-World cash market is actually slightly below last year.

Competitors' Exportable Supply Situations (see Table 2)

Total export availability of wheat/wheat flour among the four major U.S. competitors in July-June 1965-66 is estimated at 35.1 million tons, whereas actual exports by those countries in 1964-65 totaled 26.4 million tons. Of the total available, approximately 17.3 million tons have already been shipped or committed for 1965-66 shipment, to Communist countries, leaving a balance of 17.8 for further Bloc sales and sales to traditional markets. Of this

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amount, roughly 15 million tons can be regarded as "assured exports" to be covered by commitments already entered or shipments to well-established traditional markets. Thus, total exports by U.S. competitors in 1965-66 will be at least 32.3 million tons, with a possible additional 2.5 million tons depending upon market conditions.

U.S. Export Outlook

With cash world import requirements estimated at 40.3 million tons, and minimum likely exports of 32.5 million tons by U.S. competitors, the cash market for 1965-66 which remains to be divided up amounts to about 7.8 million tons. U.S. competitors have roughly an additional 2.5 million tons with which to compete in this market. Accordingly, depending upon market conditions through the year, U.S. cash sales should reach 5.3 million tons (226 million bushels) and possibly up to 7 or 8 million tons.

World imports of U.S. wheat including flour under U.S. government programs in 1965-66 are estimated at 14.5 million, down 0.5 from last year. Total U.S. exports are therefore currently estimated at a minimum of 19.8 million tons, but with favorable markets during the balance of the year, greater cash sales could bring about a substantially higher total.

11/24/65
Grain & Feed Division, FAS

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Table 1.-World Requirements of Wheat and Wheat Flour to be imported from Big V Exporters^{1/} in July 1965 - June 1966

Area	1964-65	1965-66	Change
	-----Million metric tons-----		
North & South American (exc.			
Canada, U.S., & Argentina	4.84	4.86	+.02
United Kingdom	4.14	4.20	+.06
Other W. Europe (exc. France) ^{2/}	4.30	3.93	-.37
Japan	3.42	3.50	+.08
India	6.70	6.70	--
Other Free Asia	5.90	5.85	-.05
Africa	4.00	3.58	-.42
Other Free-World	1.03	1.03	--
Total Free-World	34.33	33.65	-.68
Free World cash	20.74	20.56	-.18
East Europe			
U.S.S.R.	6.39	13.45	+7.06
Communist Asia	5.10	7.32	+2.22
Total Bloc areas	11.49	20.77	+9.28
Bloc cash	10.08	19.77	+9.69
TOTAL WORLD	45.82	54.42	+8.60
TOTAL WORLD CASH	30.82	40.33	+9.51

^{1/} Based upon the net imports of the country or area listed.

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Table 2.-Summary of Competitors' Exportable Supply Situations

	Canada	France	Argentina	Australia	Total Four
	-----Million metric tons-----				
Total export intentions for					
July 1965-June 1966	16.3	4.5	--	--	--
Max. avail. for exp.					
July 1965-Nov.1966	--	--	7.3	8.7	--
Probable hold-back for exp.to assured traditional markets					
July 1966-Nov. 1966	--	--	0.5	1.2	--
Estimated shipped or already committed under new contracts for shipment by June 30, 1966:					
U.S.S.R.	5.65	.60	2.10	.60	8.95
Communist Asia	2.30	.70	2.25	2.04	7.29
E.Europe (exc. Yugo.)	.66	.40	--	--	1.06
Total	8.61	1.70	4.35	2.64	17.30
Bal. Avail. 1965-66 for Free World markets and further sales to Bloc	7.7	2.8	2.4	4.9	17.8
Already shipped plus est. assured exports	6.6	2.8	2.4	3.4	15.2
Balance 1965-66 "uncommitted" exportable wheat	1.1	--	--	1.5	2.6

11/24/65

Grain & Feed Div., FAS

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Effect on U.S. of Increasing Grain Exports to India
from 500,000 M.T. to 1,000,000 M.T. Tons Per Month

Export Terminal Facilities

The overall annual capacity of U.S. ports to export grain is estimated at approximately 54 million metric tons. Present rate of exports indicates that approximately 51 million metric tons of grain will be exported for the year ending June 30, 1966. To utilize all of this capacity, it is necessary to have the inbound movement by railroad cars perfectly coordinated with the outbound movement by ocean vessel. This is not possible. At the present time, 1965 crop soybeans and corn are moving in volume into East Coast and Gulf ports. Wheat movements are also at substantial levels. These shipments already have a high percentage of export terminal space committed until the middle of January. It is expected that this condition will improve in February, and will further be materially assisted by the opening of the Lakes in approximately mid-April.

Box Cars

A tight supply situation barely adequate to meet requirements of our present rate of food and feed grain exports continues to exist. Business already on the books for December-February export is expected to keep box car availabilities tightly in balance with requirements during the next three months. CCC alone has approximately 2.7 million metric tons of food and feed grains sold which remain undelivered against export contracts. Because of the competition for the inadequate supply of box cars which exists, the U.S. could suffer a loss of some of its wheat and feed grain exports into dollar export markets of the monthly rate if wheat shipments to India were materially increased.

Effect Upon Domestic Wheat Prices

If an announcement is made that wheat shipments to India are to be sharply increased, we could expect domestic market prices of wheat to increase a minimum of 10 cents per bushel. The increase could go substantially above that, depending upon actions CCC might take to make larger supplies of its wheat available for domestic and export market sale.

ASCS-PSD
CGPulvermacher
12/1/65

US uses 650-700

146f

U.S. WHEAT EXPORTS, 1965-66

	Million bushels	1,000 m. t.
Available for export, 1965-66	850	23.1
Exported, July-November	325	8.8
Monthly Rate	65	1.8
Balance, December-June	525	14.3
Monthly Rate	75	2.0
Dollar Sales	240	6.5
PL 480 1/	610	16.6

1/ Include shipments to India at rate of 500,000 tons per month, or 3 million tons, July-December, and 750,000 tons per month, January-June or 4,500,000 tons, making a total for year of 7,500,000 tons.

December 7, 1965

US Export capacity

Normal (excl. NE + California)

without unduly interfering

1 million tons per mo. = what they can handle

Indians say they can handle 875,000 tons per month using max. conventional means

10m. per yr.

(700,000 3 mon season) Aug Sept Oct

Extra measures added 1 million 12 at most.

875
2125
9975

REVIEW OF WORLD WHEAT SITUATION
(as of December 8, 1965)

Summary

World wheat trade in 1965-66 is expected to be over 8 million tons above the 1964-65 level, due to short crops and large purchases by Communist countries. Supplies available and advance sales commitments covering 1965-66 exports by the four major U.S. competitors (France, Argentina, Australia, and Canada) are such that these countries seem likely to export at least 32 million tons (as against 26.4 last year) and possibly as much as 35.1, depending upon market conditions and progress of the season. U. S. exports have been estimated at 20.6 million tons (750 mil. bu.) but recent changes in prospects for dollar sales and possibility of a larger program to India — shipments at the rate of 750,000 tons a month Jan./June — could raise exports to 23 mil. tons or 850 mil. bushels.

Production

The 1965-66 world wheat crop now seems likely to total 242-244 million metric tons as compared with about 253 million last year. Among Communist countries, production appears down by nearly 13 million tons, while among Free-World importing areas, (all countries except the Big V-U.S., Canada, Australia, Argentina, and France) the crop is up by about 5.4 million tons. Canada and France harvested large crops, but Australian and Argentine production will each be down by about 3 million tons from last year.

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amount, roughly 15 million tons can be regarded as "assured exports" to be covered by commitments already entered or shipments to well-established traditional markets.

Uncommitted Supplies

CANADA is estimated to have about one million tons of wheat "uncommitted" within her capacity to export 600 million bushels or 16.3 million tons. Most of this one million tons will probably move to dollar markets or will be shipped as "tolerances" within contracts to Communist areas unless some or all of it should go to India. So far in FY '66 Canada has sold India 100,000 tons on credit and made a grant of 50,000 tons.

AUSTRALIA has a short crop due to dry weather. She has not been willing to sell as much to Communist China as China wanted to buy. The current estimate is that Australia has about 1.5 million tons of wheat available between January and June 1966 which is uncommitted. Apparently she anticipates a rise in prices. Generally, Australia has supplied the 200,000 tons 'usual marketings' required of India and last year in addition made a grant of 150,000 tons.

FRANCE has been holding down export sales in order to avoid stimulating domestic prices. Latest estimates are that she has committed or under negotiation all but 500,000 tons.

ARGENTINA also has a short crop. Her very heavy commitments to the USSR and Communist Asia, plus quantities reserved for her traditional Free World markets leave very little Argentine wheat uncommitted.

December 8, 1965
Grain and Feed Division, FAS

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December 8, 1965

U. S. Wheat Situation, 1965-66

	<u>Mill. bu.</u>	<u>Mill. M.T.</u>
Carryover July 1, 1965	820	22.3
Production	<u>1,355</u>	<u>36.9</u>
Total supply	2,175	59.2
Domestic disappearance	675	18.4
Exports July - November	<u>325</u>	<u>8.8</u>
Available for export & carryover Dec.1	1,175	32.0
Dollar sales December - June	<u>150</u>	<u>4.1</u>
Available for carryover and programs	1,025	27.9
Projected programs other than India December - June	<u>200</u>	<u>5.4</u>
Available for carryover and India	825	22.5
Shipments to India 1 mil. tons per month December - June	260	7.0
Estimated Indian unloading capacity 375,000 tons per month	225	6.1

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<u>Total Free-World</u>	<u>34.33</u>	<u>33.65</u>	<u>-0.68</u>
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Balance 1965-66 "uncommitted" exportable wheat	1.1	--	--	1.5	2.6

11/24/65

Grain & Feed Div., FAS

World wheat supply over the next six months is so tight that we'll have to bear most of the Indian burden. We can hope for a little help from Canada and Australia, but it will take some high level pressure to bring them along.

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December 9, 1965

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~~WORLD WHEAT SUPPLY~~

Other than the U.S., only 4 major producers normally ^{grow} ~~have~~ substantial quantities ~~of wheat~~ over and above their domestic needs. In FY 1966 they have about 35 million tons available for export (Canada 16.3 million tons in Canada, ^{Australia} 7.5 million in Australia, ^{Argentina} 6.8 million in Argentina and 4.5 million in France). ^{Of the four} Canada, of the four, has greater supplies, but ^{port and rail limitations restrict} exports will be limited to 16.3 million due to port and rail limitations. ^{Australia and Canada}

However, only in addition to the U.S. still have any wheat not already sold or expected to be sold to Communist countries and traditional markets, and that amounts to only 2.6 million tons (Australia 1.5 and Canada 1.1). Some portion of this would probably be available for India if we put the heat on. Otherwise, they can sell it easily through normal commercial channels. USDA guesses it would take real pressure to get as much as 1 million tons from them altogether for India.

USDA estimates that the U.S. has available as of 1 December for export to India and for our own carryover about 22 million tons. This is over and above projected requirements for dollar exports and other PL 480 programs.

These supplies are more than sufficient to meet India's ^{import} capacity while ~~to absorb wheat and~~ ^{still} maintain ^{ing} adequate U.S. stocks.

1. U.S. handling facilities can move out about 1 million tons per month for India without unduly interfering with commercial and other shipments, and without taking unusual measures (such as getting the USG may require mixing in grain sorghums (which the Indians can well use) to enable us to use facilities not now fully used.

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By g NARA, Date 3-30-04

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- 2 -

2. Indian ports (according to Subramaniam) can handle up to 875,000 tons per month using conventional means to the fullest (but only 700,000 during the mid-June to mid-September monsoon). This is well above the 600,000 normal in the recent past. That means a yearly rate of about 10 million tons, or 5.2 million ^{over} the 6 dry months ahead. With extraordinary measures, they ^{Indians think they} could ~~probably~~ add ^{100,000} ~~only~~ another ~~20,000~~ a month, but we'll have to test this out before we act on it.

So ~~[without taking any unusual steps ourselves]~~ we alone could move ^{although with some difficulty.} more than the Indians can handle, ~~and would have to reduce our shipments from~~ ^{Any ~~contribution~~} ~~to allow~~ Australia and Canada ^{would help somewhat,} ~~to get into India any contribution they might make.~~

The situation will remain tight after 30 June. The only modest hope for added help as new crops come in will be a little more ~~help~~ from Canada.

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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

December 1, 1965

MEMORANDUM

To: The President
The White House

From: Orville L. Freeman
Secretary of Agriculture

Subject: India - Food and Agriculture

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India Food

- I. For the first time the Indian Government through its Agricultural Minister Subramaniam has made concrete specific commitments to the United States which will if carried out vigorously significantly improve India's agricultural performance.
- II. The critical question remains - How the United States can make certain that pledges are followed by performance.
- III. It is expected that the Indian Government in the near future will make a public pronouncement on agriculture incorporating the agreed upon actions and targets with a commitment to accomplish them. Subramaniam indicated to me the likelihood that he would be speaking to the Council of State on December 8 to spell out a plan of action to meet the current crisis and that he would incorporate the commitments made at Rome in such a presentation.
- IV. The public commitment by the Indian Government can be reinforced by the United States as follows:
 - (a) Length of Public Law 480 agreements can be conditioned to the performance of the Indian Government.
 - (b) The agricultural action commitments can be incorporated into the AID arrangements with disbursements conditioned on the Indian Government meeting its agricultural commitments. Precise detailed criteria to measure performance and insure action can be negotiated. Failure on the part of the Indian Government to perform will be surfaced under such a procedure and the appropriate action decision can be made accordingly.

2--The President

V. The following sequence of actions might be followed:

- (a) Communicate to Prime Minister Shastri that spelling out as the plan of the Indian Government the commitments made in Rome would be favorably received by the United States Government.
- (b) United States announce another short term P.L. 480 agreement.
- (c) Following Indian Government public commitment perhaps through Subramaniam's proposed December 8 speech to the Council of State, U. S. Government would then compliment the Indian Government on strong new efforts and announce the opening of negotiations for a further extension of P.L. 480 for a longer period (but still limited).
- (d) When the U.S. Government resumes negotiations for economic assistance it will be made perfectly clear privately that assistance will be geared to the Indian performance in meeting their agricultural commitments and targets. In the alternative the President might direct that negotiations quietly resume prior to the Shastri visit. Such negotiations could provide a useful backdrop for the President's use at the time of the Shastri visit.

VI. Some personal observations

Recent events and my meeting with Subramaniam in Rome encourage me where Indian agriculture is concerned.

1. It appears that the Prime Minister is at last convinced of the need to depart from traditional agriculture techniques and use modern inputs, such as chemical fertilizer.
2. It appears that the Prime Minister's attitude which hitherto might be described as Fabian Socialist toward agricultural development has changed. Today agriculture commands a position at the top rather than at the bottom of the totem pole in priorities.
3. Recent public statements by the Prime Minister substantiate the changed attitude and increased attention now given to agriculture.

3--The President

4. Food and Agricultural Minister Subramaniam impressed me. He has drive and ability. He appears to hold a strong position in the Indian Cabinet and to have a good deal of political skill. He has been a steadfast supporter of the United States.

VII. Finally, it is my judgment, supported by the Indian specialists on my staff, that India can make the grade. It does have the physical resources. Its soils are for instance inherently far superior to those of Japan. Now that the Indian Government is targeting its goals and appears to be giving necessary priority in allocating its resources and we have some strong leverage to insist that they continue to do so, I believe significant progress can be made. It will be slow and tough, but it can be done.

SENT
WHCA

1965 DEC 1 01 15

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FROM: MR KOMER
TO : THE PRESIDENT
CITE : CAP65776

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India Food

S E C R E T

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

NOVEMBER 30, 1965
TUESDAY/6:00 PM

FOR THE PRESIDENT. FROM KOMER

INDIA FOOD. HERE IS MY OWN HONEST OPINION OF THE LIKELY CONSEQUENCES IF WE HOLD UP THE NEXT MONTHLY SHIPMENT TILL AFTER AYUB'S VISIT. A THREE WEEK DELAY WILL NOT MEAN THE END OF THE WORLD. INDIAN STOCKS ARE VERY LOW BUT THERE WOULD BE NO IMMEDIATE STARVATION; INDEED, FOOD WE AUTHORIZE TODAY GETS SHIPPED IN 30 DAYS AND TAKES 30 OR SO MORE DAYS TO GET THERE. THE INDIANS COULD EVEN BUY ON THE OPEN MARKET (THOUGH THEIR FOREIGN EXCHANGE RESERVES ARE SCANT).

BUT TO BREAK THE PATTERN WE'VE JUST ESTABLISHED AND CAREFULLY JUSTIFIED WOULD ALMOST CERTAINLY BRING THE FOLLOWING EFFECTS:

1. FREEMAN HAS NOW AMPLY DOCUMENTED THAT POOR SUMMER MONSOON RAINS ARE CREATING A WHOLE OF A FOOD CRISIS. THE SHORTFALL MAY BE AS MUCH AS 10 MILLION TONS FROM THE 86-88 MILLION EXPECTED. SO AS LUCK WOULD HAVE IT, INDIA'S SHORT-TERM NEEDS ARE GOING WAY UP, NOT DOWN. INTERRUPTION OF THE PIPELINE AT THIS POINT COULD EASILY STIMULATE FEARS OF A REAL FAMINE, AND ANTICIPATORY PANIC BUYING, HOARDING, AND SPECULATION WHICH WOULD FURTHER COMPLICATE AN ALREADY GRAVE PROBLEM. ALSO THE REAL BOTTLENECK IN MEETING THE CRISIS IS INDIAN PORT FACILITIES, SO A DELAY NOW WOULD BE VERY HARD TO MAKE UP FOR LATER, IF YOU DECIDED TO UP THE LEVEL.

2. HOW COULD WE EXPLAIN A THREE WEEK DELAY? WE'VE MADE CLEAR THAT WE AREN'T TRYING TO STARVE INDIA OUT, BUT TO FORCE IT TO FACE UP TO ITS AGRICULTURAL NEEDS, AND THAT MEANWHILE WE'LL KEEP THE PIPELINE GOING MONTHLY. A BREAK IN THIS PATTERN COULDN'T BE HIDDEN, AND WOULD REVIVE ALL THE WILD CHARGES OF POLITICAL PRESSURE WE'VE WORKED HARD TO BLANKET. THE CREDIBILITY OF OUR STANCE--AND OF MOYERS BACKGROUNDER--WOULD BE UNDERMINED.

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By UUD NARA, Date 02-19-2014

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3. THE PAKS TOO WOULD MISREAD THE SIGNAL, AND JUST BEFORE AYUB COMES HERE. OUR AID DIRECTOR STUPIDLY TOLD SHOAB WE HAD TAKEN THE INDIANS "BY THE THROAT" ON FOOD, AND THIS LINE WAS PROMPTLY PUT OUT TO THE SUN MAN IN KARACHI. I DOUBT THAT THE PAKS COULD RESIST CROWING, WHICH WOULD INFURIATE THE INDIANS MORE.

I'M NOT CRYING WOLF. ON THE CONTRARY, I'M CONVINCED THAT YOUR SHORT REIN POLICY IS BRINGING BOTH PAKS AND INDIANS AROUND TO RIGHT WHERE YOU WANT THEM. EVEN THE STATE EXPERTS ARE BEGINNING TO HOIST THIS ABOARD. BUT I MUST SAY IN HONESTY THAT A FOOD HOLD-UP NOW WOULD SET US BACK JUST WHEN WE'VE GOT PAKS AND INDIANS TALKING OUR TUNE. SUBRAMANIAM HAS JUST TOLD FREEMAN ALL THE THINGS WE WANT TO HEAR. IF OUR ANSWER IS TO CLAMP DOWN HARDER INSTEAD OF STEPPING UP TO MEET A MAJOR CRISIS WE RISK TORPEDOING A MOST PROMISING ENTERPRISE.

IN FACT, INDIA'S FOOD CRISIS NOW LOOKS SO BIG ("WORST IN 50 YEARS") THAT I'D ARGUE IT WOULD BEST SERVE YOUR POLICY TO UP THIS MONTH'S ALLOTMENT TO AT LEAST 600,000 TONS AND THROW IN \$50 MILLION FOR FERTILIZER TO ASSURE 3-4 MILLION TONS ADDITIONAL OUTPUT WHICH I'LL OTHERWISE BET MY BOTTOM DOLLAR WE END UP SHIPPING. TO DO THIS NOW, BEFORE AYUB COMES, WOULD MAKE SHASTRI YOUR DEBTOR WITHOUT COMPROMISING WHAT NOW IS TRULY MASSIVE LEVERAGE, AND MAKE AYUB MORE MALLEABLE BY SHOWING HIM WE WON'T USE THE SPECTRE OF STARVATION TO GET HIM KASHMIR. I FEEL THIS ONE IN MY BONES.

SHASTRI WILL STILL HAVE TO WRITE YOU AND APPEAL FOR MORE FOOD, BUT A GESTURE LIKE THE ABOVE WILL MAKE IT POSSIBLE FOR HIM TO DO SO WITHOUT CRAWLING.

YOU'RE WRONG BUT I'LL DO IT

SAME 500,000 AS BEFORE

HOLD OFF

DTG 302348Z NOVEMBER 1965

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India Food 149

THE LONG-TERM FOOD SITUATION IN INDIA

The long-term food outlook in India is in many ways an extension of the critical short-term situation. The Government of India has delayed so long and in so many areas of agricultural development that future delays could easily turn the short-run food crisis into a perpetual one of fantastic dimensions. Thus, neither the G.O.I. nor the United States can afford to divert any attention or resources away from agricultural development during the pending food crisis. If anything, more energy will have to be devoted by both governments in the immediate future.

Further, the G.O.I. has been willing to take meaningful action in agriculture only during a crisis. It will shortly be in the midst of a most critical one, and they well know it. It may be a time when the U.S. can exert maximum influence on the shape of future agricultural development. We might be able to use food aid not only to avert immediate disaster, but to induce changes in Indian policies and actions toward a more favorable rate of agricultural development.

A discussion of the long-term agricultural development prospects bears directly on Minister C. Subramaniam's letter of August 30, 1965 in which he spelled out India's plans and policies for producing food enough. We, therefore, present our views on certain specific aspects of future agricultural development, and pose questions whose answers either from Mr. Subramaniam or from the G.O.I. generally would indicate the seriousness with which agricultural development is viewed in India.

The tone of the Minister's letter is that if the needed inputs are made available, India will be self-sufficient in food production by 1970-71. We don't agree with the Minister on total self-sufficiency, but certainly India will have gone a very long way toward solving its food and agricultural problem if the needed inputs are made available. The big issue that is unanswered in the Minister's letter and needs further exploration is not only what it will take in the way of inputs, but what will be done by the G.O.I. to insure that the needed inputs will be made available to cultivators in adequate amounts. It would be most valuable to the Government of the United States if it had a bill of particulars from the G.O.I. that (a) indicated agricultural development was being given top priority, (b) spelled out specific program actions to be taken to effect a satisfactory rate of food and fiber output, and (c) allocated sufficient resources to this effort to insure its success. One way this could be done is for the G.O.I. to present a Food and Agriculture Bill to Parliament which spelled out not only what was going to be done, but also how it was to be accomplished

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By JCL/mg NARA, Date 3-30-01

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and financed. To give this Bill the priority and total Government support it deserves, it could be presented by Prime Minister Shastri rather than by the Minister of Food and Agriculture.

Fertilizer

Probably the most important element in accelerated agricultural development is increased availability of fertilizers to Indian cultivators. The G.O.I. and U.S.A.I.D./India are getting close together on future requirements--2.4 and 2.6 million tons of nitrogen by 1970-71, respectively. In addition, 1.3 million tons of phosphatic and 670 thousand tons of potassic fertilizers will be required. The Minister recognizes that even with a crash program in fertilizer plant construction, substantial imports will be required for several years to come. His estimate of between \$300 million and \$1,600 million of imports over the next 5 years is in line with U.S.A.I.D./India estimates.

Thus, we can pose the following questions:

1. What is the G.O.I. doing to maximize fertilizer production from existing plants? The past record of operating at only about 40 percent of capacity is a very poor one.
2. What is the G.O.I. doing to attract foreign private investment for fertilizer plants? What steps has the G.O.I. taken to make fertilizer production and distribution a profitable enterprise that will attract investment?
3. What steps has the G.O.I. taken to insure the availability of foreign exchange for the importation of fertilizer? What categories of imports will be reduced to make this exchange available? To what extent will it rely on external financing and how does it plan to get it?

Note: The total package of decisions involving fertilizer goes far beyond Minister Subramaniam's jurisdiction. They must be made on a government-wide basis and involve most directly the Prime Minister, the Minister of Finance, and the relevant minister of industry. Thus, it is ultimately up to Prime Minister Shastri to make the necessary decisions.

Improved Seed Varieties

Progress has been made in the development and introduction of improved varieties of rice, wheat, maize and sorghams. But before these new varieties can be of widespread benefit they must be multiplied in sufficient quantities, effectively distributed to cultivators, and used in conjunction with adequate amounts of fertilizer and water.

These questions are relevant:

1. What steps are being taken now to get large scale multiplication of these seeds?
2. What actions are being taken to effectively distribute these seeds to cultivators along with the necessary information on how to use them? (Without fertilizer the new varieties yield no better than the old ones.)
3. What steps are being taken to develop a larger variety of improved seeds that are adapted to local conditions and resistant to disease?

Minor Irrigation

Concomitant with fertilizer and seed must be adequate water supplies. The G.O.I. has followed a practice of investing in "defensive" irrigation; i.e., provide enough water to prevent disastrous crop failure. This is not an adequate policy for achieving intensive irrigation systems under which several crops can be harvested during the year from the same acreage. And, it is this latter type of system that is needed in India to develop the needed intensity of production.

Much can be done along these lines by cultivators themselves. This is particularly true for field and irrigation canal development and sinking of small tube wells. More will have to be done by the G.O.I. to make piping, small motors, pumps, and fuel or electricity available to cultivators. Too, adequate credit for financing these investments will be needed.

Questions:

1. What studies has the G.O.I. underway on the feasibility of more intensive irrigation based on small tube wells?
2. What steps have been taken to provide cultivators with piping, pumps, and motors and the fuel or electricity to run them?

Insecticides

The loss of food supplies through insect and pest damage both in the field and in storage is a sizable one. This is a particularly acute problem in a situation of food shortages. It is very important that the G.O.I. move ahead rapidly on a nationwide program of pest control. Along these lines we can ask:

1. What has the G.O.I. done to insure that adequate supplies of pesticides and insecticides are made available to cultivators in appropriate form and time?
2. What programs are underway to educate cultivators and grain storers in the use of pesticides and insecticides?
3. What steps have been taken to institute large area programs of control such as aerial spraying?

Credit

Cultivators will have great difficulty taking up new and improved agricultural practices if they are unable to finance the investments. Adequate supplies of timely credit on proper terms are absolutely essential for more rapid agricultural development. Thus:

1. What is the G.O.I. doing to overhaul its present agricultural credit structure?
2. What credit institutions does it plan to establish to supply cultivators with both long and short-term loans?

3. What amounts of credit are estimates to be needed and how will these needs be met through the total financial structure?

Price Supports

The G.O.I. has established a policy of incentive price supports and an instrument, the Food Corporation of India, for insuring these minimum prices and managing food supplies. The Corporation has made some operating progress. Producer prices are at levels sufficiently high to provide production incentives. This is due more to the tight food situation than to the Corporation's activities. But the Corporation has been quite ineffective in managing food supplies in the recent food crisis and, therefore, moving in the direction of a national food policy. Resistance on the part of individual States to allow the Food Corporation to operate on an effective scale has been a major stumbling block. In fact, the growing autonomy of States has moved the G.O.I. and the Food Corporation away from, rather than toward a national food policy.

1. What steps are being taken to insure price supports to cultivators?
2. What steps are being taken to reverse the trend toward growing State control over food supplies?
3. What type of bargaining power is needed by the Food and Agriculture Minister to evolve an effective national food policy?
4. What role does food aid play in (3)?

The United States is deeply concerned with the lack of progress in Indian agricultural development and the apparent unwillingness to take the hard steps necessary to remedy the situation. The above questions might be addressed to Minister Subramanian. His replies to them would give some indication of what new steps the G.O.I. is preparing to take on the agricultural front. It may serve to re-establish a dialogue between the G.O.I. and the U.S. on agricultural matters that would break the current deadlock in discussions and permit progress on specific and critical elements of Indian agricultural development.

Agriculture
11/17/65
Martin E. Abel
Arthur T. Thompson
Charles F. Kiefer

THE SECRETARY OF STATE
WASHINGTON

November 26, 1965

~~CONFIDENTIAL~~

India Econ
+ P.D.
+ Pak Econ

MEMORANDUM FOR THE PRESIDENT

Subject: PL 480 Title I Agreements with
India and Pakistan

Recommendation:

1. That you authorize amendment of the existing Title I
PL 480 sales agreement with India to provide for an additional
500,000 tons of wheat.

Approved _____ Disapproved _____

2. That you authorize release of 175,000 tons of wheat to
Pakistan under its existing PL 480 Title I agreement.

Approved _____ Disapproved _____

The Department of Agriculture and the Agency for International
Development support this recommendation.

Discussion:

India

On October 27 you authorized us to go ahead with another one
month's extension of our PL 480 agreement with India, to provide
500,000 tons of wheat. That amendment was signed on November 4.
It is now time to authorize our mission in New Delhi to negotiate
another one month's extension if it is to become effective by
December 4.

GROUP 3
Downgraded at 12-year intervals;
not automatically declassified.

~~CONFIDENTIAL~~

DECLASSIFIED

Authority Stack Hr. 1/12/78

By JCR/AG NARA, Date 3-29-04

11/27/65

~~CONFIDENTIAL~~

- 2 -

There has been no decline in India's need for PL 480 assistance. On the contrary, reports during the past month indicate that, as a result of the poor monsoon, the fall crop is well below last year's and that India may be heading for another food crisis. The extension of our existing agreement so as to provide another 500,000 tons of wheat for another month is necessary as we continue to press the Indians on their own agricultural self-help program and as we aim for a sorting out of other issues when Prime Minister Shastri comes here. Meanwhile, discussions are under way with the Indians to get a clearer picture of their food needs in the months ahead and what they are doing to help themselves.

Pakistan

Pakistan's foodgrain situation is more secure, but the returns of the current harvest remain to be fully evaluated. Under the current multi-year PL 480 agreement with Pakistan, which expires on December 31, 175,000 tons of wheat which were programmed previously remain undelivered. The release of this amount would cover Pakistan's requirements through late winter. We believe it desirable, particularly in the context of an early Ayub visit, to take such action vis-a-vis Pakistan as we provide additional assistance to India. While 175,000 tons would assure Pakistan's supplies for longer than the period we have in mind for India, the difference would be justified by Pakistan's good performance in agriculture.

Dean Rusk

Dean Rusk

~~CONFIDENTIAL~~

11/26/65

NOTE FOR INDIA--ECON FILE:

India's ports can now handle about 600,000 tons of imported foodgrain a month. However, a recent Commerce study says that could be increased to 900,000 tons quickly by a few relatively simple improvements in port procedures and better use of equipment already on hand.

HHS

OFFICE OF
THE SECRETARY OF AGRICULTURE

November 15, 1966

H read

15/a

*File
India food
book*

*Thelma -
I suggest filing this
by date of the basic
document - Nov. '65*

TO: Howard Wriggins

FROM: Les Brown *L*

To the best of my knowledge this is the first time this has ever been reproduced. Keep in mind the very sensitive nature of this document.

You may also be interested in the first half of a speech I gave last week at Ames. Note particularly the upper curve in Figure 2 -- and its contrast to the lower curve which we more often think about.

*Hal - Have you seen?
Please return -
HW.*

Agreement between Secretary of Agriculture Orville L. Freeman and Minister of Food and Agriculture C. Subramaniam November 1965, Rome Italy

It was agreed that it was very much to the benefit of both India and the United States to reverse the disturbing downward trend in per capita food production.

It was agreed that the quantity of resources allocated to agriculture has not been adequate in recent years.

It was agreed that:

- (1) investment in agriculture during the Fourth Five Year Plan (1966-67 to 1970-71) would be 2,400 crore rupees (nearly 5 billion dollars) or more than double the investment levels during the Third Plan period ending this year.
- (2) investment in agriculture during the coming year (1966-67) would be increased by at least 40 percent above the current year even though the emergency might require cutbacks in other areas of investment.
- (3) investment in agriculture next year (1966-67) will be 410 crore rupees as against 304 this year.

Don't know yet, Fourth Plan Form not yet complete

ok

ok

It was agreed that:

- (1) the Government of India will publicly announce and endorse the fertilizer consumption targets for the next 5 years agreed to by the Indian Ministry of Food and Agriculture. These quantities of fertilizer, to be made available through imports, if domestic production is inadequate, are as follows:

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Authority Agriculture 1tr. 3/20/78
By *[signature]* NARA. Date 3-30-09

	<u>N</u>	<u>P₂O₅</u>	<u>K₂O</u>
	(million metric tons)		
1966-67	1.00	0.37	0.20
1967-68	1.35	0.50	0.30
1968-69	1.70	0.65	0.45
1969-70	2.00	0.80	0.55
1970-71	2.40	1.00	0.70

*did not
pass cabinet*

(2) basic policy changes encouraging foreign private investment in the manufacture and distribution of fertilizer will be implemented.

(a) the Government of India will announce a plan before January 1, 1966 to purchase any fertilizer produced in excess of market demand at world market prices.

(b) the Government of India will announce the removal of any geographic constraints on fertilizer marketing before January 1, 1966 to take effect as soon as fertilizer supplies are adequate, now expected in 1968-69.

(c) the Government will reduce the role of the central nitrogen pool from its present near-monopoly position to one in which it handles only a minor part of the fertilizer supply. All manufacturers of nitrogenous fertilizer will be authorized to establish their own distribution arrangements.

(3) that steps would be taken by the Government to operate its own fertilizer plants at full capacity by allocating enough foreign exchange to ensure adequate supplies of raw materials and spare parts and by carefully reviewing periodically the level of management effectiveness.

- (4) that if modifications in the procedures for approving and licensing foreign private investment in the manufacture and distribution of fertilizer do not sufficiently shorten the time required for negotiations that further administrative and procedural changes will be made.
- (5) a cabinet level committee, now chaired by the Prime Minister will make a continuing effort to see that bureaucratic procedures do not hinder or discourage private foreign investment in fertilizer production and distribution. It will also pass judgment on basic policy questions which if unresolved might hinder investment.
- (6) that there will be no tie-in between credit and distribution. That is, farmers will be given credit regardless of where they buy their fertilizer.
- (7) that the Government of India will not require Government participation in the ownership of fertilizer plants in the private sector.

It was agreed that the current system of credit cooperatives was not adequate and that the following actions would be taken to remedy this:

- (1) a cabinet level committee on agricultural credit chaired by the Food and Agriculture Minister would explore alternative avenues of supplying credit to farmers.
- (2) the Government will systematically review and test alternative credit possibilities. The following will be tested on a pilot basis.

- (a) the Food Corporation will supply credit to farmers against advances on their crops.
 - (b) current private credit institutions will be urged to extend credit availabilities and the possible need for credit subsidies will be evaluated.
- (3) the possibility of an all-India agricultural credit organization to supplement the credit supply of the cooperative sector will be actively explored.

It was agreed that new instrumentalities such as the Agricultural Production Board, a committee of cabinet members and other key officials chaired by the Food and Agriculture Minister and vested with the authority to make binding decisions on matters of agricultural production, will be used to achieve the necessary allocation of resources to Indian agriculture.

It was agreed that:

- (1) 32 million acres of the most productive land farmed by the more efficient farmers will be designated for a crash production program with a target of 25 million tons of additional food grains by 1970 on this selected acreage.
- (2) the resources and inputs necessary will have the number one priority to wit:
 - (a) the new, fertilizer responsive varieties of food grains will be planted on well irrigated land, applying from 100 to 150 pounds of fertilizer per acre as compared with a national average of 3 to 5 pounds per acre. These new varieties, planted on the best irrigated land, would get the necessary fertilizer even though this

might require a cutback on some other land if fertilizer were in short supply.

- (b) if the seed multiplication program for the new imported varieties (wheat from Mexico and rice from the International Rice Research Institute in the Philippines) falls behind schedule, foreign exchange will be made available for the import of additional supplies of suitable seed.
- (c) new irrigation techniques, going from the traditional flow method to controlled maximum irrigation, will be selectively applied. For this purpose resources will be made available wherever it is demonstrated practicable. In addition, adequate resources will be made available to develop minor irrigation sources to attain a water balance for multiple cropping. With this new intensive irrigation more and more land will be multiple cropped.

It was agreed that price policies will be reviewed periodically to ensure a continuing favorable relationship between the price of food grains and the price of purchased inputs such as fertilizer.

It was concluded that the new legislation establishing the Food Corporation and the recent amendments to the Defense of India Rules along with the basic constitutional provisions did give the Center Government adequate authority to control the movement and distribution of grain between the States. The Minister made it clear that the Center Government now had the authority to develop and implement a rational food policy.

It was agreed that efforts to dramatize and mobilize public sentiment to demonstrate the urgency of action in agriculture would be made. Such actions as public statements by the President, Prime Minister and other leading public officials will be used even more in the future.

It was agreed that:

- (1) highest priority will be given to agricultural development and allied programs in the Fourth Five Year Plan. This priority will also apply to the allocation of foreign exchange to agriculture. It is noted that the agricultural program detailed above would require foreign exchange of the order of 2 billion dollars for the Fourth Five Year Plan.
- (2) to meet food production targets the import of 500,000 tons of nitrogen fertilizer (in terms of N) for the 1966-67 crop is essential. Out of this total quantity needed, arrangements will be made to import 100,000 tons from available resources. Every effort will be made to find the balance of the resources required to reach the target. Minister Subramaniam emphasized the critical importance of reaching this target, stating that in view of the severe limits on the availability of foreign exchange that immediate United States aid is imperative.