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J. G. Gaud

166
October 26, 1965

RWK:

1. Indian wheat stocks. Discrepancy resolved. USDA says Indian wheat stocks held by state and central governments in mid-September were 1.3 million tons and are expected still to be at that level at the end of November. Figuring monthly offtake of 450-500,000 tons, that's 2-3 month supply. The figure Farr gave you represents Federal government stocks only. This is probably a fairer figure to use vis-a-vis our PL 480 shipments, since we're replenishing only central government stocks. However, it's misleading if we represent that as all the food available to meet Indian shortages. So we don't want to overplay the low figure lest we seem to be "crying wolf."

2. Indian approaches on food. Indians have stopped going to USDA working level because they know delays aren't technical, but both Boothalingham and S.K. Patil both hit Freeman. Boothalingham also hit Mann and Gaud. Patil hit Rusk and the Vice President. So there's been no dearth of high-level asking. Middle level demarches include Kaul-Guhan to Handley and Farr. Working-level contacts with AID mention the problem almost daily.

HHS

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E.O. 13292, Sec. 3.4
NSC Memo, 1/30/95, State Guidelines
By *jc*, NARA, Date *3-30-01*

CONFIDENTIAL

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Green

TO: The Secretary
THROUGH: S/S
FROM: NEA - William J. Handley
SUBJECT: Memorandum for the President on PL 480 for India and Pakistan ACTION MEMORANDUM

October 23, 1967
[Signature]

We shall have to make some new arrangement by the end of this month if a break in PL 480 wheat shipments to India is to be avoided. We believe it is now time to get back on a somewhat longer-term basis than the one-two month arrangements we have been going on. An arrangement to provide for shipments of wheat through the remaining months of this fiscal year would help us in our efforts to sort out our political problems with India, but would not unduly lessen the tight rein we are continuing to maintain on our total aid. Such an arrangement seems particularly desirable now as we look to a fairly early visit by Prime Minister Shastri.

Although Pakistan's need for PL 480 wheat is much less than India's, we believe, as we move ahead on India, it is imperative that we take such parallel action as may be required regarding wheat shipments to Pakistan through the remaining months of this fiscal year.

Action Recommended:

I recommend that you sign the attached memorandum to the President, which has been cleared by Secretary Freeman and David Ball.

Approve _____

Disapprove _____

Clearances: USDA/FAS - Mr. Eskildsen
AA/NEEA - Mr. Farr
MR - Mrs. Bittermann

Attachment:

Memorandum to the President.

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E.O. 12958, Sec. 3.4
State Dept. Guidelines
By *jc*, NARA, Date 3-30-04

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NEA:SCA:SSobert:nmr:apr:10/23/67

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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 three and one-half million tons of wheat to cover shipments from December 1965 through June 1966 (i.e., the remainder of U.S. FY 1966);

Approve _____ Disapprove _____

2. That you approve our advising the Government of Pakistan of our willingness to authorize the remaining 175,000 tons of wheat under the current agreement and to extend the agreement for the remainder of U.S. FY 1966 to provide for additional wheat if necessary.

Approve _____ Disapprove _____

Secretary Freeman and David Bell join me in the above recommendation.

Background:

It is now time to work out the next step of our PL 480 strategy for India and Pakistan.

We believe that our recent actions have clearly demonstrated in both countries that PL 480 sales cannot be taken for granted. We believe that our interest will now be best served by new arrangements that will carry us to the end of the current U.S. fiscal year. Such arrangements would be terminable by us at any time and the foreign leadership will be so informed. In order to keep tight control we will issue purchase authorizations on a month-by-month basis.

In our

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E.O. 13282, Sec. 3.4
State Dept. Guidelines
By jc, NARA, Date 3-30-01

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- 2 -

In our opinion the longer term arrangement is not only consistent with our tight-rein policy on new aid commitments to both countries, it is an essential aspect of maintaining the influence to make that policy effective. So much uncertainty has arisen about U.S. intentions and interests in the subcontinent that we need to take a positive step now to reaffirm our humanitarian concern for the peoples of the area. While we hold back on military and economic aid until peace is restored, we should not allow food to become a political issue between our Governments. In this way we can do our part to create an atmosphere for fruitful Shastri and Ayub visits.

India: To provide for India's most urgent needs, we have now twice extended the existing PL 480 sales agreement so as to ship an additional one and one-half million tons of wheat, or enough for about three months' supply. The last extension, covering a month's needs, was signed on September 29 and we shall therefore have to make some new arrangement by the end of this month if a break in supplies is to be avoided. Prospects for the next year's crop are disappointing and it may be as much as 10 per cent below last year's record crop. Moreover, the Indian Government has only about six weeks' stocks at present rates of withdrawal.

Functioning as they are in a democratic framework, India's leaders are finding it politically and economically difficult to pursue our common objectives on the short and uncertain rein we are keeping on PL 480. The short food supply combined with the scare psychology prevalent in Indian cities creates instability with food riots a clear possibility. Meanwhile, the Indian public, press and Parliament are increasingly tending to interpret our stance as an effort to force India to yield on a basic national issue it has just fought a war to defend. Shastri has sought to keep things in perspective and has publicly voiced appreciation for U.S. assistance. But as late as October 19 the major right-wing opposition party (composed of Hindu nationalists) staged a demonstration protesting our alleged use of PL 480 as a pressure device on Kashmir. Thus Shastri's political survival precludes his being seen as coming here to bargain the nation's honor for food. Hence it is necessary to extend the program for a long enough time span so that it does not become an issue at the time of Shastri's visit here.

India's realization that it cannot take PL 480 sales for granted has also spurred its leaders to redouble efforts to increase food production. They know that they can no longer count on PL 480 as a

crutch

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crutch for their own inadequate performance. Just before the recent fighting, Agriculture Minister Subramaniam outlined a hard-hitting forward-looking farm policy in a letter to Secretary Freeman. In his speech of October 10, Shastri urged farmers to adopt more intensive cultivation, with double or even triple cropping; increased use of compost; a crash program to maximize the use of irrigation waters, including the digging of temporary wells; and increasing cultivation of kitchen gardens. The Government has announced a substantial emergency grant to help spark the program.

We intend to review additional measures required to achieve satisfactory progress in Indian agriculture in connection with the proposed amendment of our PL 480 agreement.

Pakistan: Pakistan's foodgrain situation is much more secure. The recent wheat crop was 10 per cent up from last year and is the highest on record. PL 480 shipments already authorized will probably suffice into the beginning of 1966. The remaining balance of 175,000 tons of wheat under the old agreement would cover requirements for another month or so. We may then have to provide some additional wheat to maintain approximate parity of treatment between the two countries.

Assuming we enter into a new PL 480 arrangement with India, it seems imperative that we take some parallel action vis-a-vis Pakistan so as to keep the channels open for what we hope will be fruitful discussions. As in the case of India, a PL 480 sales arrangement with Pakistan covering only the remaining months of this fiscal year, together with the suspension of military shipments and a continuing tight rein on new economic aid loans, would leave us with substantial tools to help us work out our problems in the months ahead.

Dean Rusk

NEA:SOA:SEober:apr:10/23/65

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Friday, October 22, 1965
9:45 a. m.

168
File

India
V.P.D.

Pres. OKed 509 etc
& when Rusk at
reach
RWK

MEMORANDUM TO THE PRESIDENT

SUBJECT: The Indian Food Pipeline

1. This is the only matter in the foreign field which requires decision over the coming weekend. We authorized a one-month extension last September 23, and by Monday at the latest we should authorize negotiations for another month if we do not want to run the risk of a break in the pipeline. I have reviewed this matter with Dean Rusk, Clark Clifford, and Arthur Dean; they all believe strongly that a one-month extension is the best arrangement. It is more and more clear that Shastri is coming if you want him in December or January, and we are also beginning to get to the Indians with the message that their agricultural performance is weak. They are on notice to respond to this challenge. Until they do, month-to-month action makes good sense. (See Phil Potter story in the Baltimore Sun yesterday morning, Tab A). But none of us sees any point in letting the pipeline break, so I would like to authorize Komer to give the green light on Monday morning (but not before).

McG. B.

One-month extension approved _____

Disapproved _____

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Authority NSG 7-25-80 letter
By J. L. NARA, Date 3-30-09

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India Econ

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RWK:

October 20, 1965

The best way to outline reasonable conditions for a normal Indian PL 480 agreement is to describe what we had in mind last June. We'd have to lower the targets now because the war and our aid freeze have forced the GOI to reallocate its scant foreign exchange, so it might not be able to meet requirements that seemed reasonable in June. No one in Washington has enough dope to make an intelligent downward revision; we'd have to ask the embassy. But this gives a good idea of continuing problem areas:

1. Highest priority for food production in Fourth Plan. We want some general commitment that big defense spending won't push food down the priority scale with us continuing to fill the gap.

2. Increased fertilizer production and imports are essential if India is going to come close to meeting its own food requirements. Critics of our PL 480 policy say the Indians have fallen woefully short of their own Third Plan targets because US food let them relax. USDA says available plant nutrients must increase five times (from 900,000 MT in 1964-65 to 4.5 million MT) by 1970-71 if India is to meet food targets.

a. Nitrogen production. USDA recommended in June that we require the GOI within 6 months to start building plants capable of producing 400,000 MT. USDA's idea was to add similar additional requirements to later agreements. State/AID didn't want to be that precise and thought we should simply ask GOI to encourage foreign private investment in fertilizer plants. But obviously we have to get some movement here.

b. Nitrogen imports. Since it takes 5 years or more to get nitrogen plants producing, USDA and State wanted GOI during US FY66 to import at least 350,000 MT. (This would have required foreign exchange that may now have been diverted to purchases our aid would have covered.) We would also have required GOI to make this available to farmers at prices that would encourage use. That would probably have necessitated improving the fertilizer distribution system.

3. Incentive price program should expand to encourage production by assuring that prices stay at profitable levels. This is a new program, and we want to maintain momentum.

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E.O. 13232, Sec. 3.4

NSC Memo, 1/30/95, State Guidelines
By jc, NARA, Date 3-30-01

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4. Buffer stocks. To provide reserves needed in emergencies and to quell inflation, we had planned to require GOI to increase its wheat and rice stocks to at least 2.5 million tons by 30 June 1966. This year's crop isn't very good, and the flow of food imports has been uncertain. So we'd have to take another look at the figure, but GOI agrees the goal is important.

5. Zonal controls and rationing. Subramaniam admits controls that keep food from moving in response to demand distort prices and create unnecessary local shortages. He would cut--and we should urge him--these and gradually remove emergency rationing when supplies permitted.

6. Generally we would encourage work to improve credit for agricultural producers, seed, extension work, etc.

In June, AID/State/USDA decided to include in the agreement only requirements on high priority for food production, buffer stocks, incentive price program and nitrogen imports. They planned to push the other requirements in discussions but not to write them in.

When India gets back to more-or-less normal economic life, it will still make sense to talk about these conditions with revised figures. However, State (Sober) doubts we'll get much until we resume commodity aid because the GOI now has to divide foreign exchange between food and imports to keep factories going, so it can't do much but subsist.

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*John
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24 September 1965

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OCI No. 0308/65A

EO 13526 3.5(c)

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*India
food*

SPECIAL REPORT

WARFARE AGGRAVATES INDIAN FOOD SHORTAGES

CENTRAL INTELLIGENCE AGENCY
OFFICE OF RESEARCH AND REPORTS



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~~GROUP 1 Excluded from automatic
downgrading and declassification~~

SANITIZED

E.O. 13526, Sec. 3.5

NLJ 12AC 12-252

NARA, Date 09-27-12

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WARFARE AGGRAVATES INDIAN FOOD SHORTAGES

India's three-week war with Pakistan has worsened its chronically serious food supply problem. In the year which ended on 30 June, when both production and importation of food grains reached record highs, India's per capita food-grain consumption was still at about the low 1960 level because of continuing population growth. Inadequate monsoon rains make it clear that last fall's bumper harvest is unlikely to be repeated in 1965. Even before the fighting broke out, the government had not resolved the distribution problems which accentuated the shortages in food-deficit states, and military demands on the Indian transportation network caused further disruption. A renewed and prolonged conflict could bring famine to many parts of the country. In any event, all indications are that population increases will continue to outstrip production gains, and that food grains will remain in short supply for at least the next several years.

Background

Food grains are the principal agricultural crops in India and account for about 84 percent of the total cultivated area. Agriculture itself is the most important sector of the Indian economy, contributing almost half of the national income and some 40 percent of the exports, and directly supporting roughly three-quarters of the population.

India's agricultural requirements are enormous. The country's population of 484 million is growing by about 2.4 percent a year, or over 11 million people. Two million additional tons of food grain annually are required just to maintain current consumption levels averaging only about 14 ounces a day per person. Unless curbed, the population will reach one billion by the year 2000. The

Food and Agricultural Organization (FAO) of the UN reports that one in every 4 persons in India now is underfed and that India would need to increase food-grain production by about 50 million tons to a total of 136 million tons over the next five years (as compared with an increase of only 8 million tons over the past five years) to meet minimum nutrition requirements.

The Indian third five-year plan (1961-66) envisaged significant agricultural improvements, but is falling far short of its original goal of 100 million tons of annual food-grain production by next April. The government had hoped to increase agricultural production by about 30 percent through a program that included increased irrigation, a fivefold increase in fertilizer

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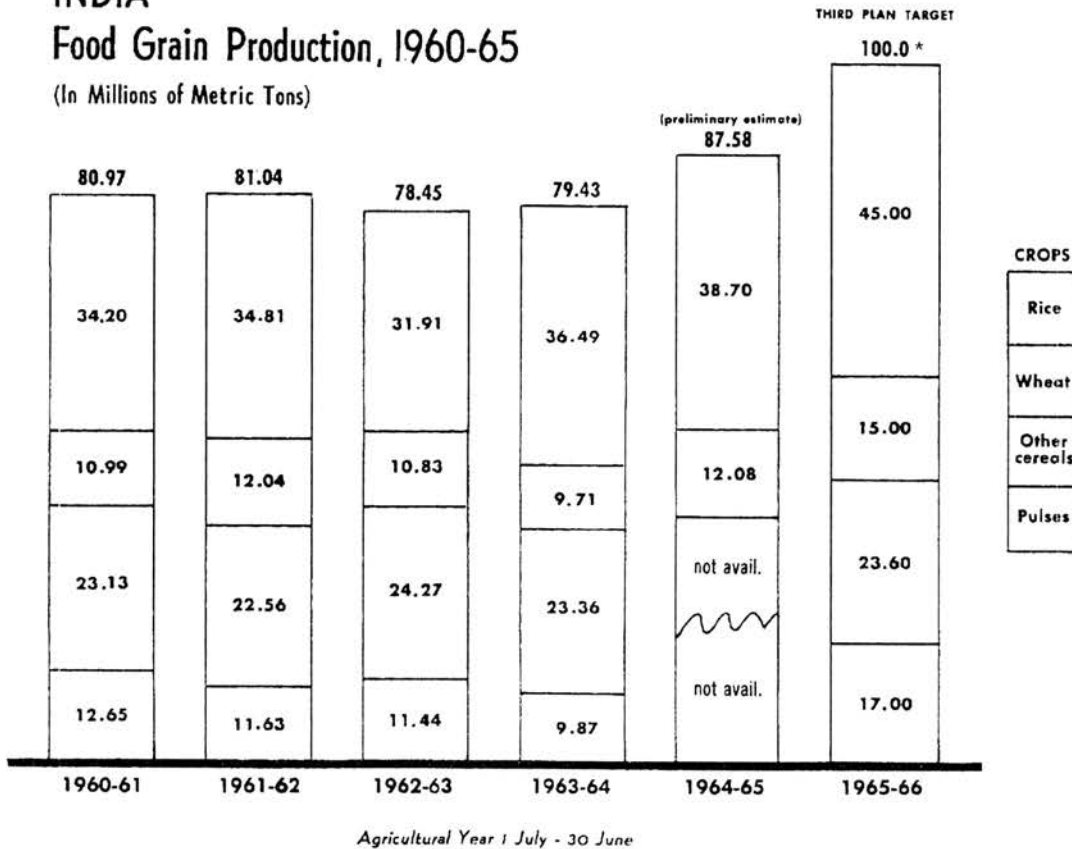
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Figure 1

INDIA

Food Grain Production, 1960-65

(In Millions of Metric Tons)



* Revised downward to 92 million tons. Production probably will not exceed 88-90 million tons.

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consumption, and a comprehensive mechanization program.

However, agriculture had a lower priority than did industry during this period, and basic production problems remain essentially unsolved. These include: overcrowding on the land, primitive farm techniques, uncertain rainfall, low per-acre fertilizer utilization rates (2.2 pounds per acre of agricultural land, compared with about 200 pounds in Japan), inadequate credit facilities, and unsatisfactory schemes for essential supplies of seeds, fertilizer, cement, improved implements, and insecticides.

Food-grain production stagnated at about 80 million tons annually between 1960 and 1964 (see Figure 1). Even the 87.6-million-ton bumper crop produced in the agriculture year which ended on 30 June 1965 was less per capita than in 1960. The outlook for further substantial improvement this year is dim. The crop being harvested in September has suffered from irregular monsoon rains, and even the reduced target of 92 million tons now seems overambitious.

Imports

Because of inadequate production, India is dependent on imported food grains to maintain consumption levels (see Figure 2). Over 90 percent of these imports come from the US, which since

1948 has provided India with almost \$3 billion in surplus commodity aid, primarily under PL 480. During the 1964-65 season the US supplied India with a record 7 million tons of food grains.

During 1965-66, India is planning to import 6 million tons of wheat and 300,000 tons of rice from the US. Although no formal agreement has yet been concluded, the US has released supplementary funds of \$58 million for one million tons of wheat pending the signing of a new agreement.

India's industrial performance has been indirectly affected. The necessity to import food and fertilizer contributes substantially to India's acute shortage of foreign exchange reserves, which are at an all-time low. The raw material and maintenance imports required by industry have had to be curtailed.

Distribution Problems

India's most immediate food problem is the inequitable distribution of the available food grains among the states. Under the constitution, the state governments are primarily responsible for food policies. They have cooperated poorly with the central government in its efforts to establish an effective national food policy. Food-deficit states frequently overstate

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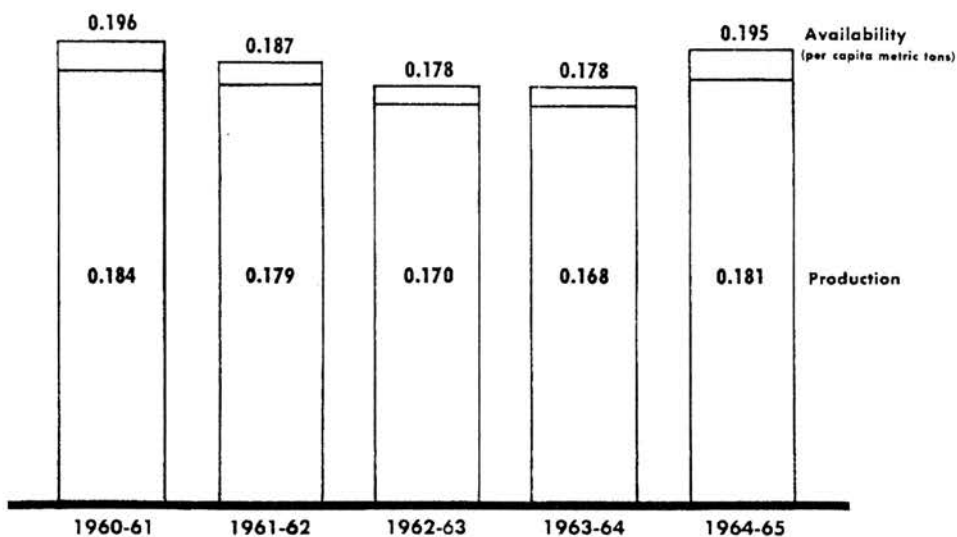
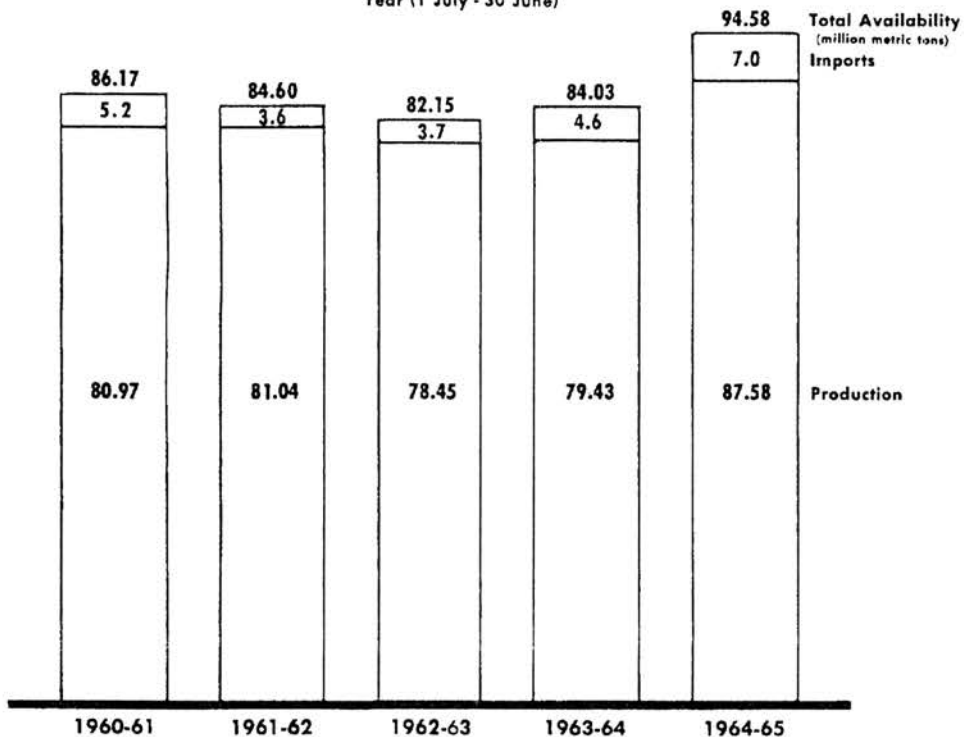
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Figure 2

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INDIA Food Grain Production and Availability 1960-65

Year (1 July - 30 June)



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their deficits. The food-surplus states are not willing to share equally the hardships of the food-deficit states, and understate their surpluses. (See Map)

The central government's buffer stocks have proven inadequate largely because the surplus states have not fulfilled what was expected of them. The deficit states have then made demands on imports and prevented the government from building up stocks from abroad. The amount of food grains distributed from central stocks averaged 4.3 million tons between 1960-61 and 1962-63 but was nearly double that during the past two agricultural years.

Although the central government now is distributing more grains than ever before, this amount is still less than 10 percent of production and barely exceeds imports--not nearly enough to stabilize prices.

High Prices and Shortages

During the past two years most parts of India, including food-surplus states, have been affected by high prices and shortages of food grain at one time or another. The annual wholesale price index rose by 19 percent during 1964, the food component going up by 23 percent. Although food prices eased a bit during the first three months of 1965, they were again rising even before the fighting with

Pakistan added a new inflationary pressure. In recent weeks rice prices have exceeded the ceilings fixed by the state governments in several areas, and there has also been a sharp increase in the price of wheat in various areas.

Food prices have risen under pressure of increased demand on reduced market supplies. Over 10 percent fewer food grains were marketed in India during the first six months of 1965 than in the same period in 1964, largely because farmers withheld an estimated 40 percent of the marketable surplus.

When food prices are disproportionately high, the poorer farmers tend to sell less grain since the lower sales still yield the needed funds for their other requirements. In addition, higher prices have given wealthier farmers, who grow most of the food marketed in India, more resources to hold on to a larger part of their crops in the expectation of even higher prices. At the same time, price controls have reduced the incentive to bring their stocks to market. Efforts by the Congress Party government in New Delhi to smoke out hoards are often frustrated by the financial dependence of local Congress bosses on food-grain profiteers.

Plans and Actions

In its efforts to avoid future shortages, the government has both increased the priority

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given agriculture in its Fourth Five-Year Plan (1966-1971) and taken steps to improve the distribution of such supplies as are available under present conditions.

Under the Fourth Plan, allocations for agriculture and items that directly benefit agriculture make up \$9.2 billion, or about 20 percent of the total planned investment in all sectors. This is more than twice the allocation in the Third Plan. Direct expenditures of \$5 billion are planned on agriculture. The target is to increase production by 5 percent a year, so that the annual production of foodgrains by 1971 will reach 125 million tons, and allow actual consumption per person to rise.

Although such a target now seems unrealistic, recent actions show the government's awareness of the need for corrective steps. When New Delhi increased many import and excise duties last summer, fertilizer was permitted free entry, and a low statutory import rate was granted agricultural machinery and light diesel oil which is used primarily as a fuel for agricultural irrigation pumps.

In August, before the Kashmir skirmishing had grown into an open conflict with Pakistan, the Shastri government adopted a comprehensive food policy in an effort to control high prices and local shortages of grain.

Its principal feature provided for the introduction of food-grain rationing within the next three or four months in the eight cities with over one million population. Eventually rationing was to be extended to all urban areas with a population over 100,000, but the government set no dates for implementation, beyond indicating that it would probably take longer than 15 months.

In fact, rationing has now been extended to all these cities because of the war. The average daily ration is 12 ounces of food grain per person--two ounces less than the present average consumption--plus an additional 10 percent for manual workers.

The new policy also provides for the central government to determine the surplus or deficit quotas of wheat and rice in each state, but leaving the method of procurement to the individual states. In addition, the central government will continue to establish producer support prices (first adopted in late 1964) and food-grain ceiling prices at the wholesale and retail levels. Any state can be exempted from enforcing these ceilings if it faces administrative or other difficulties. Single-state food-grain zones, with existing strict interstate marketing controls, will be continued.

Prospects for successful implementation of these measures are poor, because India does

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not have the necessary enforcement machinery for an effective procurement and distribution program. The rationing program cannot succeed without a higher degree of cooperation from local officials than has prevailed so far. Even New Delhi's earlier more limited price stabilization measures faltered because of inadequate stocks. The problem of equitable distribution of grain is likely to remain even if the government manages to keep food grain production up with population growth.

Impact of War

At least for the immediate future, the war with Pakistan greatly darkens the picture. Its continuation would threaten famine in many areas of India. Grain distribution to food deficit areas has already been further restricted as priority military requirements cause transportation difficulties. Low ration quotas have been reduced further. In

Calcutta, individual quotas have been cut from 12 ounces of food grains per day to 10 ounces.

Even if additional imports were available, Indian port and dock facilities lack the capacity to handle grain imports much above last year's record level of 7 million tons, without allowing for possible war-related demands.

Just as the Chinese attack in 1962 caused a major reassessment of India's international orientation, adjustments in domestic policy impelled by the recent military action will have a far-reaching impact which can scarcely avoid touching agricultural plans. As last year's food riots showed, India's food consumption margin is so small that any disruption in supply or a rapid rise of prices carries the seeds of civil disorder. The war has reduced the chances of widening this margin for some time to come. [REDACTED]

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U.S. DEPARTMENT OF STATE
DIRECTOR OF INTELLIGENCE AND RESEARCH

Intelligence Note
191
15

To : The Secretary
Through: S/S
From : INR - Thomas L. Hughes *TH*
Subject: The Indian Food Situation

India

SEP 16 1965

- ~~— RUNDY-SMITH~~
- ~~— BATOR~~
- ~~— BOWDISH~~
- ~~— BOWMAN~~
- ~~— CHASE~~
- ~~— COOPER~~
- ~~— JESSUP~~
- ~~— JOHNSON~~
- ~~— KEENE~~
- ~~— MOODY~~

The Indian food situation, difficult in the best of times, is being subjected to further strains by the present Indo-Pakistan conflict. On September 16, the exigencies of a wartime situation forced the announcement of a reduction in food rations in West Bengal from 12 to 10 ounces of rice daily. India weathered a severe food crisis only last year, and next year's crop is likely to be down from this year's record crop.

The Short Run. Over the next few months the actual amount of food available to India either as standing crops or at dockside cannot be greatly altered; the critical factors will be distribution and public morale. The reduction in the rations in Bengal was reportedly the result of a transportation shortage occasioned by military requirements. The inadequate Indian transportation system is being sorely taxed, and offloading facilities in ports may also be subject to temporary diversions. Thus the mere presence of food in India will not necessarily ensure that it is available where and when it is most needed.

Public confidence in the food situation was shaky even before the outbreak of hostilities. Now it has been weakened by fears of dislocations

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automatic declassification

SEP 17 1965

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State Dept. Guidelines
By *jc*, NARA, Date 3/30/01

resulting from the wartime situation and -- to a lesser extent probably -- by uncertainty over the continued availability of US PL 480 supplies. The Indian public is reportedly already engaged in hoarding, price rises have been reported, and speculators are active. In addition, the administrative machinery of the country is facing additional wartime tasks and its ability to cope satisfactorily with the food problem will be impaired. There is every reason to believe that there will be food shortages and price rises on the scale of those which have occasioned food riots in India in the past, at least in some areas.

Nevertheless, we believe that for the next few months the Indian public will accept an adverse food situation with relatively little protest. A wave of patriotic enthusiasm -- similar to that of 1962 -- dominates the Indian scene. The government should be able to appeal effectively to the people to accept wartime hardships, especially if exemplary punishment is meted out to conspicuous hoarders and speculators. The agitators who have fomented rioting in past food crises will be cracked down on sharply by the government and in any event would probably be unwilling to run against the tide of popular sentiment. There is also still almost a million tons of PL 480 grain in the pipeline, due to arrive between now and late November. Finally, in the short time span involved, the cumulative effect of shortages will probably not be felt too intensely; this summer's crop will reach the market in October, and the expectation of improvement once hostilities are over will ameliorate discontent. On the whole, then, the food problem will probably not severely affect the Indian war effort for the next several months and in any case, adequate food will almost certainly be available for the fighting forces.

In the Longer Run. Should the war end fairly soon, the effects in the longer run of wartime food problems should not be too severe. Problems will certainly exist: The effects of a mediocre harvest, difficulties in rehabilitating the transportation system, and some delays in the availability of grain imports. These are the kinds of problems with which the Indian government has dealt in the past, however, and the discontent can probably be kept within manageable bounds. If the war drags on, however, the picture could be quite different. The Indian government reportedly estimates that the food situation could become difficult about December because of distribution and control problems. Patriotic sentiment may also begin to lag by then and discontent could mount. The transportation system would be in danger of collapse and distribution could become so erratic that severe hunger in chronic food deficit areas such as West Bengal would be widespread. In this situation, India's dependence on food imports including PL 480 would be critical. Should this source of supply dwindle, the psychological impact would be immense, stimulating further hoarding and price rises.

The likelihood of violent protests would then rise sharply. The danger of violence would doubtless be greatest in West Bengal, a politically volatile state where memories of the great famine of 1943 still linger. Throughout India, however, unrest would be probable. Actual famine is unlikely even in deficit areas, but failure of the Indian government either to provide satisfactory food rations or sufficiently to justify shortages in terms of the war effort, would pose significant problems of law and order -- especially with the army committed elsewhere -- and could threaten the stability of the Shastri government.

OUTGOING TELEGRAM Department of State

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Origin
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ACTION: Amembassy NEW DELHI

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OCT 8 7 25 PM '65

Info:

INFO : Amembassy KARACHI
Amembassy LONDON

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Deptel 636, Embtel 924.

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SAH

We much concerned over groundless allegations ~~by Indian Government~~
in
~~leaders and~~ Indian press that US using PL 480 food as instrument of
pressure for Kashmir settlement. We shall use following points on
background basis to counter these allegations. Request you do likewise.

EUR

P

USIA

NSC

INR

CIA

NSA

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AGR

1. Latest Indian annual agreement under PL 480 was to expire
30 June 1965, and first two-month extension was signed in July, both
well before recent extensive Pak/Indian fighting began.

2. Basic reason why US has not yet made another full year's
(or longer) PL 480 agreement with India, but is instead extending
agreement for brief periods, is US concern over India's own agricultural
plans. For some time now US officials have become increasingly concerned
over India's difficulty in ~~making~~ coming to grips with its great
agricultural deficit. Some experts even claim that India has used
massive PL 480 availabilities as crutch to avoid facing up to this
growing problem.

Drafted by:

WHITE HOUSE:RKomer:mlb

10/8/65

Telegraphic transmission and

William J. Handley

classification approved by:

NEA - ~~Raymond A. Dance~~

Clearances:

SOA - Mr. Sober
P - Mr. Greenfield
USDA - Mrs. Jacobson
s/s-

AA/NESA - Mr. Macomber
MR - Mrs. Bittermann (subs)

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FORM 8-63 DS-322

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E.O. 13292, Sec. 3.4
State Dept. Guidelines
By jc, NARA, Date 3-30-07

3. Unless more effective steps are taken to increase agricultural production and control population growth, food needs in India will in years ahead be beyond our capacity to meet. We want be sure PL 480 program does not operate as crutch in Indian agricultural situation rather than stimulating efforts needed to bring about sharp increases in Indian agricultural production. Against background these concerns, USG has felt there must be greater self-help on India's part to complement any new longer term US PL 480 agreement. For example, India badly needs to increase its fertilizer production several fold.

4. There have been encouraging signs that Indian planners and Agriculture Minister Subramaniam are fully aware these problems and equally anxious for agricultural reform. However, we do not yet have new Indian 5-Year Plan which will provide best index India's longer terms plans. Moreover, fighting which recently broke out on subcontinent seems to have made it difficult for GOI proceed with own planning on previous schedule.

5. Until all these matters have been sorted out, US has been proceeding on basis of series of interim short-term ~~agreements~~ **arrangements** in order continue be in position assure steady flow of commodities to India. In so doing, US is making sure nobody goes hungry. Wheat shipments are proceeding normally under terms of existing agreement, as amended. Shipments are at usual rate and there has been no hold-up.

END

BALL

173
~~X~~
DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE ADMINISTRATOR

September 13, 1965

MEMORANDUM FOR: The Honorable Robert Komer

Bob:

Attached is an advance copy of
a memorandum which is being cleared with
Mann and Ball this A.M.

Fred
Frederic L. Chapin
Executive Secretary

SEP 13 1965

~~CONFIDENTIAL~~

173a

India
Pak
India
Pak

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Interim P.L. 480 Policy for India and Pakistan

Recommendation:

In the present situation in the subcontinent, we recommend continuation on an interim basis of a minimum flow of P.L. 480 wheat and other agricultural commodities to both India and Pakistan. This policy would be based on humanitarian grounds and would maintain even-handed treatment toward both to avoid prejudicing efforts for a settlement. We see this as necessary insurance designed to help get us through the current difficult period in our relations with these countries until we are able to resolve the basic policy questions which now confront us. Secretary Freeman and David Bell concur with this recommendation. If you approve the courses of action below, we will consult with appropriate Congressional leaders before proceeding. To give effect to the policy recommendation, we should: (a) proceed with the shipment of about 350,000 tons of wheat to Pakistan under the existing P.L. 480 agreement; and

Approve _____ Disapprove _____

(b) conclude with India another interim agreement for one million tons of wheat to cover November and December shipments.

Approve _____ Disapprove _____

Discussion:

On July 26 the P.L. 480 sales agreement with India, currently in force, was amended to provide for the shipment of an additional one million tons of wheat (about a two months supply) instead of entering into a new long term P.L. 480 sales agreement as the Indians had requested. The last shipment under the present agreement will leave the United States on October 25. Since it takes 30 days to arrange for and load wheat for shipment after procurement is authorized, a new agreement will have to be concluded in the next two weeks if a break in supplies is to be avoided.

DECLASSIFIED

E.O. 13292, Sec. 3.4

State Dept. Guidelines

By je, NARA, Date 3-30-01

~~CONFIDENTIAL~~

SEP 13 1965

CONFIDENTIAL

We had intended to use the new P.L. 480 agreement to influence the Indian Government to make substantial policy moves to increase food production and improve food distribution. During the past two months the Indians have taken some useful steps, Agricultural Minister Subramaniam has outlined a forward looking agriculture plan in a letter to Secretary Freeman. Were it not for the present emergency, we would be recommending a 10 months P.L. 480 agreement covering sales of 5 million tons of wheat which would contain a number of provisions intended to foster agricultural development.

This clearly is not the time for discussions of broad economic issues which might form the basis of our future economic assistance to India. The food situation, however, remains critical. U.S. wheat is moving almost directly from the ports to consumers. Patriotic fervor in India seems to have cut off what looked to be the beginning of food riots. The situation, however, could get quickly out of hand if the food supply deteriorates or even if there is fear of deterioration.

The Pakistan Situation

The current P.L. 480 sales agreement with Pakistan runs until December. We have, however, since late August been withholding action on authorization under the agreement for the purchase of 350,000 tons of wheat.

This amount, combined with stocks on hand and the effect of recent good harvests, would cover needs through December of this year. Failure to deliver this amount probably would not be critical in the food supply sense as is the case in India, but, if at the same time we continue deliveries to India, Pakistan's political reaction would be adverse.

Dean Rusk

CONFIDENTIAL

INCOMING TELEGRAM *Department of State*

Komer 174

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~~SECRET~~

Action

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Authority FRS 64-18, vol. 25, # 207
By JC NARA. Date 3-29-04

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TO RUEHEX/WHITE HOUSE IMMEDIATE
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003

~~SECRET~~ SEPTEMBER 16

//E X D I S//

DEPT PASS AGRICULTURE SECY FREEMAN
FOR PRESIDENT JOHNSON

Jones

IN VIEW OF MANY DIFFICULT PROBLEMS THAT ARE CROWDING YOUR PLATE I HESITATE TO COMMUNICATE WITH YOU DIRECTLY EXCEPT UNDER MOST URGENT CIRCUMSTANCES. HOWEVER WE HAVE THUS FAR HAD NO REPLY TO NUMEROUS MESSAGES ON FUTURE PL 480 SHIPMENTS AND SINCE WE HAVE NOW REACHED CRISIS POINT I BELIEVE SUCH COMMUNICATION IS JUSTIFIED.

PL 480 SHIPMENTS TO INDIA HAVE BEEN COMING IN UNDER SIXTY-DAY AGREEMENT SIGNED JULY 26. UNDER THIS AUTHORIZATION THE LAST SHIPMENTS OF FOODGRAINS IS SCHEDULED TO STOP BY END OCTOBER. EVEN IF WE SHOULD SIGN RENEWAL AGREEMENT TODAY, THERE WOULD ALREADY BE A GAP BETWEEN THIS DATE AND ARRIVAL OF SHIPMENTS UNDER NEW AUTHORIZATION.

IN SPITE OF MASSIVE INCREASE IN INDIA'S FOODGRAIN PRODUCTION OF NEARLY 11 PERCENT LAST YEAR, SITUATION IN REGARD TO FOOD SUPPLIES AND FOOD PRICES HAS BEEN SERIOUS. INCREASES IN PURCHASING POWER, BURDENS ON TRANSPORTATION SYSTEM PLUS WHISPERINGS OF HOLD-UP IN US SUPPLIED GRAINS ARE STARTING TO LEAD TO SCARE BUYING, HOARDING AND RISE IN PRICES.

IF UNDER THESE CIRCUMSTANCES PL 480 SHIPMENTS WERE TO STOP, BE CURTAINED OR DELAYED, SITUATION COULD QUICKLY GET OUT OF HAND. FOOD RIOTS IN MAJOR CITIES MANAGED BY COMMUNISTS WOULD BE INEVITABLE. AS THEY PUT OUT WORD THAT GROWING SHORTAGES WERE CASUED BY SUDDEN STOPPAGE OF FOOD SHIPMENTS FROM USA TO LOW INCOME INDIAN FAMILIES PUBLIC ANTAGONISM WOULD BECOME DANGEROUSLY INFLAMED.

~~SECRET~~

SEP 16 1965

~~SECRET~~

-2- 655, September 16, From New Delhi

ALTHOUGH AGITATION AGAINST US WOULD NOT AFFECT ABILITIES OF INDIAN ARMY IN PUNJAB IT WOULD PROFOUNDLY AFFECT USG IN DELHI AND ALL THAT WE HAVE BEEN WORKING FOR HERE SINCE INDIA BECAME INDEPENDENT.

EVER SINCE FIGHTING STARTED ON AUGUST 5 I AND MEMBERS OF US MISSION IN DELHI HAVE BEEN BRINGING TO BEAR EVERY ARGUMENT AND EVERY PRESSURE TO INFLUENCE INDIA TOWARDS COURSE OF MODERATION IN REGARD TO A PAKISTAN SETTLEMENT WHILE AT SAME TIME SEEKING TO BUTTRESS THEIR FAITH IN USA. YESTERDAY INDIAN GOVT IN SPITE OF ITS GROWING MILITARY ADVANTAGE AGREED UNCONDITIONALLY TO AN IMMEDIATE CEASEFIRE. IF FOLLOWING THE ALL-OUT EFFORT OUR MISSION HAS BEEN MAKING HERE AND GOIS AFFIRMATIVE RESPONSE TO U THANT REQUEST, USG SHOULD HOLD UP URGENTLY NEEDED FOOD SHIPMENTS, OUR INFLUENCE IN INDIA WILL GRIEVOUSLY ERODED AND SOVIET INFLUENCE INCREASED.

WITH SOVIET SAMS PROTECTING DELHI AND OTHER CITIES FROM ATTACK BY PEK MAP-PROCURED B-57S, SOVIET TANKS FIGHTING US TANKS IN PUNJAB AND ADDITIONAL MIGS APPARENTLY ON THEIR WAY, SOVIETS HAVE ALREADY MADE DEEP INROADS.

IN MY PREVIOUS MESSAGES I HAD STRONGLY RECOMMENDED A 15 MONTH EXTENSION, SINCE THIS WOULD ENABLE INDIANS TO MAKE MAJOR ADVANCES IN THEIR AGRICULTURAL POLICIES WHICH WE HAVE BEEN SUPPORTING. IN VIEW OF IMPORTANCE OF HELPING INDIA BECOME SELF-SUFFICIENT IN FOOD I STILL BELIEVE THIS IS PROPER DECISION. HOWEVER, IF USG FEELS THAT NOW IS

NOT THE APPROPRIATE TIME TO CONCLUDE SUCH A LONG-TERM AND SUBSTANTIAL AGREEMENT I STRONGLY URGE YOU TO AUTHORIZE ME TO SIGN SIXTY-DAY CONTRACT. THIS WOULD ASSURE FLOW OF FOOD SHIPS UNTIL LATTER PART OF DECEMBER.

I HAVE ALREADY BEEN PRESSED HARD FOR OUR *DECISION* BY ABLE, DEDICATED, HIGHLY PRO-AMERICAN OFFICIALS WHO ARE RESPONSIBLE FOR INDIAN AGRICULTURAL POLICY AND WHO RECENTLY SENT COMMUNICATION TO SECY FREEMAN EXPRESSING DETERMINATION TO MAKE INDIA SELF-SUPPORTING IN REGARD TO FOODGRAINS BY 1971. FOLLOWING GOI ACTION YESTERDAY IN UNCONDITIONALLY ACCEPTING U THANT'S PROPOSAL FOR CEASE FIRE THESE PRESSURES WILL NOW BE REDOUBLED.

BECAUSE I DID NOT KNOW WHETHER YOU WERE FAMILIAR WITH THE PROBLEM *I HAVE GONE INTO SOME DETAIL.* I ASSURE YOU, *HOWEVER,* THAT I AM NOT REPEAT NOT CRYING WOLF. GP-3. BOWLES

NOTE: ADVANCE COPY TO S/S-O AT 8:34 A.M., 9-16-65.

~~SECRET~~

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

175

Sept 16th

~~Bob~~

~~X~~

~~Forwarded per
John Lewis's request~~

~~Bob~~

SEP 17 1965



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

~~CONFIDENTIAL~~

FARIDKOT HOUSE
NEW DELHI-110014

175a

September 9, 1965

Mr. William B. Macomber
Assistant Administrator
Bureau for Near East and South Asia
Agency for International Development
Washington, D. C.

*Judea
to com*

Dear Bill:

I hope that, if the PL 480 question is still hanging fire when this letter arrives, you will pass copies of it to Dave, Charlie Schultze, and Bob Komer. The Ambassador is writing along similar lines to Secretaries Rusk and Freeman and Under Secretary Mann.

Events of the past few days obviously are mighty depressing as far as the near-term outlook for economic development here is concerned. While we are still hoping that things turn out not quite to have slipped over the brink into general war, and while a war probably would peter out or get stopped within a few months, it's plain that India is in for a painful stretch of economic disruption, reallocation of resources toward the military, and delay and distortion of the development effort. There are going to be an awful lot of economic pieces to be picked up 6 months or so from now. Assuming that our own basic interest in furthering orderly development here remains, we hope to keep our aid Mission a going concern and to pursue a business-as-usual policy with respect to projects already under way, especially in the technical assistance area. But also we were assuming even before the news of Secretary Rusk's statement to Congressmen Mahon arrived this morning, that much of the aid program, especially new loans and most particularly Fourth Plan pledging, would be in a state of suspension for some time.

Meanwhile, however, it is vital that one key issue, PL 480 food-grains, not get caught in a deepening freeze. Such is the gist of a cable we are sending tonight.

~~CONFIDENTIAL~~

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Authority: AID Guidelines 12-16-95
By: *jc*, NARA, Date: 3-30-04

SEP 17 1965

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~~CONFIDENTIAL~~

- 2 -

The period since India's crossing of the Punjab border has been too short to yield much hard evidence of the impact of limited war on the food situation. We'll be dispatching such evidence as it accumulates. But this is a situation in which the basic forces are so obvious that one doesn't have to wait for the empirical data. We know

- that the Indians already were fairly close to the ragged edge (despite the good intentions, buffers are still too small to provide any real protection against a run on food);
- that the latest crop reports are quite discouraging (these have bounced around a good bit with the intermittent rains of the past 3 weeks, and a comprehensive picture won't be reliably assembled until later this month, but the bulk of the evidence indicates substantial shortfalls below expectations, especially for rice);
- that military demands, especially for food to fill the pipelines in a jumbled distribution system, will bite significantly into civilian availabilities;
- that war will deepen the compulsion of cultivators to hang on to supplies;
- and that war is the best of all agents for generating urban food speculation.

Thus, there is every probability (the timing of such quasi-psychological phenomena never can be exactly predicted) of a violent, nasty, full-blown food crisis and price inflation if it cannot become known, before the end of the present series of food shipments from the U.S., that we have acted to assure a continuation of shipments. That the Government of India not only needs but urgently wants a continuation of PL 480 is by now, I think, abundantly clear. Subramaniam has renewed and underscored the request in his long letter to Orville Freeman, which also lays out a fairly concrete and convincing statement of the Government's intensified long-term agriculture program.

~~CONFIDENTIAL~~

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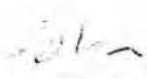
- 3 -

These recent unhappy events also have added a powerful U. S. - image reason for moving quickly on PL 480. Feelings about the "American" sabre jets and the "American" Patton tanks with which All-India Radio repeatedly is reporting that "our Jawans" presently are contending have gotten pretty bitter, and they would become more so if the Indians began to suffer some conspicuous reverses that could be attributed to the quality of Pak equipment. If, on top of this, news of a hold-up on PL 480 should become widespread enough so that our non-friends in Parliament and press could start shouting we were trying to starve India into accepting our preferences, political-military or otherwise, our relations could be crippled for a very long time to come.

Please understand that in this last I am in no sense implying that food aid should, as a normal matter, be exempt from good tough performance bargaining because it feeds hungry people. We believe that such bargaining should be a standard feature of normal Title I negotiations. But this moment of turmoil and tension is not the time for strengthening our self-help practices in this regard. We now have the Subramaniam letter, which augurs well for our ability to relate the next major PL 480 agreement to a strong indigenous agriculture program. But right now, at a time that is not right for bargaining innovations, we need to keep the food coming. Hence, the cable's recommendation of another interim 60-day extension of the September 30, 1964, agreement -- and one that this time includes some rice and milk as well as another million tons of wheat.

We could scarcely be more anxious for a favorable answer. In our sober best judgment, it is essential to our long-term as well as short-term interests here.

Sincerely,


John P. Lewis
Minister-Director

~~CONFIDENTIAL~~

PRESERVATION COPY

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~~SECRET~~

New Delhi, the 30th August, 1965.

COPY

176 Indian
econ -

Dear Secretary Freeman,

May I at the outset thank you and through you your Government for the recent arrangements regarding 1 million tonnes of wheat for India under PL-480. This has helped us to avert an immediate crisis. I hope we can soon negotiate the new wheat and rice agreement, which forms an important keystone of our food policy for this crop year and the next.

2. I am aware that your Government is concerned that food assistance should not become a crutch for inadequacy in agriculture. We share your concern. Shortage can be solved only by abundance and it is about our plans and policies to produce abundance that I wish to write to you in this letter.

3. We are engaged in evolving and implementing measures to attain self-sufficiency in food at least by 1970-71. Our 1970-71 target for food is 125 million tonnes of foodgrains as against the current year's estimate of 90-92 million tonnes, given normal weather. In our view, this target is a feasible one because of two major developments.

4. One of these is the policy decision to ensure remunerative prices to the farmers on the basis of the recommendations of the Agricultural Prices Commission. In evolving this policy we have benefited a great deal from US experience and advisers. It has already evoked considerable enthusiasm and willingness on the part of the farmer to go in for more inputs. The demand for fertilizers is running far ahead not only of present supply but even of all earlier optimistic estimates.

5. The second major development is the identification of new and high-yielding varieties of paddy, wheat and corn seeds. As a result of ceaseless search by both Indian and foreign scientists, including in particular experts of the Rockefeller Foundation, a number of hybrid varieties of corn suitable to India have been evolved and introduced, and have caught the imagination of cultivators. Some of these hybrid varieties represent a gain in yield by a factor as high as 4 to 5 times the present average yield of the country. Last year, yet another path-breaking development has taken place in the form of identification of a variety of paddy - Taichung Native 1 -- which can stand

considerable...

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E.O. 13292, Sec. 3.5
NLJ 04-180
By iso, NARA, Date 11-29-04

~~SECRET~~

considerable fertilization and give yields as high as 5 to 6 thousand pounds to an acre. In this respect, this variety is in refreshing contrast to the Indian varieties which have a tendency to lodge with additional input of fertilisers, and are, therefore, stagnant in their response to increased input of fertilisers. The Taichung Native 1 has become very popular in the areas where it has been introduced. Indeed, farmers have come forward voluntarily to set up three-ton clubs in which the condition is that each Member shall produce three tonnes of paddy to an acre. The shape and content of this movement strikes one as all the more revolutionary when one sees that the average yield of paddy is now only of the order of 1000 lbs per acre.

6. We are happy to be able to report a similar story in the case of wheat. Indian varieties of wheat have so far been bred for quality and for resistance to pests. It has now been possible to locate a few dwarf varieties of Mexican wheat which have considerable higher yields per acre and are very responsive to the application of fertilisers and do not lodge. Programmes are under way to introduce these new varieties in large quantities to cover 8 to 10 million acres each by the end of 1970-71. Our expectation is that, given the fertilisers, these new varieties will spark as striking a revolution in Indian agriculture as similar new varieties did in Mexico.

7. A concomitant -- indeed a pre-condition of this revolution-- is a high demand for fertilisers. We had originally targetted consumption of 2 million tonnes of Nitrogen in 1970-71. We find that for our new strategy, we would need at least 2.4 million tonnes of nitrogen in the year 1970-71. This availability has to be ensured. We have recently been reviewing our programmes of production of fertilisers from this point of view. While we are approaching the US Government for assistance to set up the fertiliser factories at Durgapur and Cochin, and to expand the US-aided factory at Trombay, we are also anxious to get in a good deal of private investment - Indian and foreign - for creating additional capacity. A number of companies from US and outside have shown interest. Government of India have been quite pragmatic in these matters and there has been successful conclusion of their negotiations with I.C.I of U.K. There is scope here for a friendly dialogue to search for ways and means of interesting US enterprise in Indian plans for new fertiliser factories.

8. But.....

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8. But these factories will deliver their fertiliser only in the future. The present is our problem and one estimate of our demand for imported fertilisers for 1968-71 runs at Rs. 750-788 crores worth (\$1600 million approx.). A lower estimate is Rs. 400 crores (\$833 million approx.). If one compares these dimensions with the additional consequential output of 7 to 10 million tonnes of foodgrains per year, these imports would be seen to be fully justified. It is inevitable that the higher the fertiliser targets for 1970-71, the heavier the interim bill for seeding imports. I hope these can be found by a review of the quantum and pattern of aid.

9. A third element is equally important in planning our strategy. We will have to add a capacity of nearly 200,000 to 400,000 tonnes of nitrogen each year for the next two or three decades. This means the annual import of equipment costing at present prices, in foreign exchange, Rs. 20 to 25 crores. Relatively small investments in the manufacture of this equipment will enable us to plan with greater confidence and boldness. I feel that we should devote attention to concerting measures to fill this gap.

10. We are aware that there is a whole matrix of circumstances which have to operate - besides the provision of needed inputs - in order to transform a traditional agriculture such as ours. The Government of India are fully conscious of the need to modernise the structure of credit and of distribution of the agricultural inputs. The Fertiliser Committee under the leadership of the present Secretary of Agriculture has almost completed its deliberations and its report is expected in a few days. Plans are also under way to remedy the weaknesses of the cooperative movement as a supplier of credit and materials. We propose to set up credit corporations which will meet the needs of agriculturists outside the cooperative sector. During the last year or so, the banking system of the country has also moved into the field of financing agriculture. The task of reforming the distribution system is a continuing one and in consultation with experts including those of the Ford Foundation, this problem is continually under scrutiny and steps are being taken to remedy the defects. But, given fertilisers, water, credit and pesticides together with new varieties of seeds, I think the transformation of our agriculture is well within our reach. Each of these areas requires and is being given careful thought and coordination.

11. Before.....

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-4-

11. Before I turn from these comments on agricultural policy, I must mention one area to which we attach great importance. This is the area of administrative improvements. Charles Kiser of your Department had come to India twice during the last six months or so and helped us to analyse the problem. My new Agriculture Secretary with his rich experience of administration of agriculture, has had discussions with him and it is our hope that we would be able to streamline our administrative arrangements. We have the - familiar - problem of coordination with the States and hope to solve it by adopting some of the experience and tools of coordination used by you in USA.

12. May I now turn to food policy? We are confident that if we are able to secure command of the inputs required for reaching our targets set out in the Agricultural Plan outline above, we will attain self-sufficiency by the end of the Fourth Plan and will have solved the problems of the periodic food shortages which have bedevilled the country in recent years. As mentioned already, a reasonable support price for the farmer is now a basic feature of our agricultural policy. Support price levels have been announced for the principal agricultural commodities by Government on the recommendations of the Agricultural Prices Commission. Though the occasion for price support operation has not, so far, arisen in a big way, the Food Corporation and the State Governments are fully geared for this purpose.

13. Meanwhile, the imbalance between supply and demand is presenting major problems of distribution on the food front. Our population has been rising. As the economy has developed, there is more employment and more income, and, therefore, greater demand for wheat and rice per capita from people who have been chronically under-fed and under-nourished. So, notwithstanding a record crop of 88 million tonnes in 1964-65, supply is far short of demand. A shortage of basic foodstuffs inevitably leads to discontent and unrest. In Indian conditions, the problem is further complicated by the fact that while in industrial areas and in major cities like Bombay and Calcutta, money incomes are high, there are vast areas where incomes are low and unemployment chronic. Left to ordinary market forces, the bulk of our foodgrains production would gravitate towards the cities, while the more vulnerable sections of the population could face the threat of near-famine conditions. We have, therefore, been

compelled.....

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-5-

compelled to resort to various devices to ensure a more equitable distribution of foodgrains between region and region, as well as between different sections of the community, than the working of normal market forces would permit. States' surplus in foodgrains are anxious to ensure that the demand from deficit States, which are often more prosperous with greater industrialisation, does not reduce their internal availability below the margin of safety. Inter-State movement of foodgrains is, therefore, controlled and regulated. Then again, Government have been compelled to open fair-price shops to supply foodgrains at prices below those prevailing in the market to the low-income groups. Finally, we are embarking upon a programme of rationing for larger cities both to restrict their offtake and to ensure that industrial labour is reasonably well supplied with foodgrains.

14. While I can confidently assert that these measures helped in achieving a more equitable distribution, particularly in the difficult phase on which we entered in mid-1964, we are anxious to relax and remove these restrictions on movement, and to give much more freedom of choice to the consumer than he has today, as soon as circumstances permit. For this, it is not only essential that the supply of foodgrains from year to year keeps pace with the demand but also that there is, at the disposal of Government, a buffer stock which can be drawn upon to meet any contingencies, such as shortages created by a failure of the monsoons or some other natural disaster in any part of the country, or man-made shortages which often result from stocks being withheld from the market either by the trader or by the producer when a psychology of scarcity prevails.

15. As a result of a delayed and erratic monsoon, the prospects of the 1965-66 season are uncertain. Keeping in view the need of replenishing stocks as well as the current high price levels, an import of about 17 million tonnes of wheat and 0.5 million tonnes of rice under PL-480 in 1965-66 seems to be necessary. As regards the import requirements during the Fourth Plan period, i.e. 1966-67 to 1970-71, an attempt has been made to project the production, requirement for human consumption and surplus or deficit of rice and other cereals. The import programme has also to take into account the need for building buffer stocks without which the implementation of any food policy becomes extremely difficult. We had built a buffer stock of nearly two million tonnes from PL-480 supplies by September, 1965, but the impact of two successive crop failures necessitated large withdrawals with the result that in 1965 we have been on a ship-to-mouth basis. With planned increase in production, we are confident of earmarking sizeable quantities of wheat and rice in 1967-68 and to an increasing degree thereafter so that by the end of the Fourth Plan, we have a

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- 6 -

buffer stock of at least two million tonnes of rice and four million tonnes of wheat. It should be possible to evolve a workable and flexible arrangement for laying by some portion of PL-480 supplies towards a buffer stock.

16. Keeping all these factors in view, the import requirements during the Fourth Plan period are expected to work out as follows:

Y E A R	<u>Cereals surplus (+)</u> <u>or deficit (-)</u> (in million tonnes)	<u>Import requirements</u> <u>for buffer stocks</u> (in million tonnes)	<u>Total</u> <u>import</u> <u>requirements</u>
1966-67	(-) 6.2	0.8	7.0
1967-68	(-) 3.8	1.7	5.5
1968-69	(-) 2.0	2.0	4.0
1969-70	(-) 0.2	2.3	2.5
1970-71	(+) 0.9	nil	nil

You will observe that we expect our dependence on imports for current consumption requirements gradually to taper off so that it would be possible to utilize imports more and more for building buffer stocks. In addition, the gradual emergence of surplus of rice will also enable the building up of rice stocks out of internal production.

17. We are passing through a difficult phase on the food front and with the uncertainty about the outcome of the monsoon, shortages and high prices are likely to continue for the next three months. Certain anti-social forces in the country have been quick to exploit this situation to their own ends. If I am able to impart stability and do some long-term planning on the distribution side, we can devote all our energies to the more important task of achieving our agricultural targets. It is in this context that I would urge that further delay in negotiating the PL-480 Agreement is dangerous and I hope that it will now be possible to resume discussion for concluding the agreement. I would then like to take an early opportunity of visiting you and your colleagues in Washington further to explain our long-term agricultural plans and explore the possibilities in this field for U.S. Capital and technical assistance.

Yours sincerely,

(G. SUBRAMANIAM)

H.E.Mr. Orville Freeman,
Secretary, Department of Agriculture,
Washington, U.S.A.

~~SECRET~~

177a

THE WHITE HOUSE
WASHINGTON

August 26, 1965

TO: MC GEORGE BUNDY

The President wants you to see Richard Reuter concerning the attached and then advise as to whether it is essential that a Presidential appointment be set up after you meet with Reuter.

James R. Jones

MEMORANDUM

THE WHITE HOUSE
WASHINGTON
August 24, 1965

177b

India Gen

MEMORANDUM FOR

Marvin Watson

Confirming our discussion, I would like to have two or three minutes with the President regarding our food donation program in India.

Pending current programs are operated in conjunction with the Catholics, Protestants, Lutherans and CARE. They are designed to reach about 12 million Indians, 10 million children.

These programs are of major importance to the Indians. They also are heavily supported by the constituencies of the operating U. S. voluntary agencies.

Dick
Richard W. Reuter

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1- Kome...
3271

THE SECRETARY OF STATE
WASHINGTON

RECEIVED
McGEORGE BUNDY'S OFFICE

~~CONFIDENTIAL~~

August 20, 1965 AUG 20 AM 11 44

MEMORANDUM FOR THE PRESIDENT

Subject: Title III PL 480 Programs for the
U.A.R., India and Pakistan

*Aug 20
to Bundy at
Pres. Res. by Dick
9/1/65*

** i.e. three voluntary private agencies.*

Recommendations:

1. I recommend that we proceed with the proposed FY 1966 Title III programs for India, Pakistan and the U.A.R., recognizing that the programs can be terminated unilaterally at any time should circumstances warrant.

Approve _____ Disapprove _____

2. I further recommend that we revise our current practice to insist that the Governments of the U.A.R., Pakistan and India formally endorse to the U. S. Government the present request made by the voluntary agencies for the Title III commodities.

Approve _____ Disapprove _____

Background:

The FY 1966 Title III PL 480 programs for the U.A.R., India, and Pakistan are on-going programs requested and carried out by the U. S. voluntary agencies, including among them CARE, Church World Service and Catholic Relief Service. The programs support school and institutional feeding, maternity and child care, and assistance to individual families. In all, some 17 million people would be helped. The programs would be financed under existing PL 480 authority and are charged to CCC losses.

~~CONFIDENTIAL~~
GROUP 3

Downgraded at 12-year intervals;
not automatically declassified.

DECLASSIFIED
E.O. 13292, Sec. 3.4
State Dept. Guidelines
By *jc/pw*, NARA, Date 3/29/01

8/20/65

CONFIDENTIAL

- 2 -

Proposals for the three countries are as follows:

India	\$40.8 million
Pakistan	5.8 million
U. A. R.	11.6 million

In the case of the U. A. R. and Pakistan, the FY 1966 proposals are at a slightly lower level than last year. The proposed program for India is about \$8 million larger than last year because more recipients are proposed and CARE inventories require replacement after extraordinary use.

Delay in approval could halt these programs before the end of the year, since the voluntary agencies must place their orders with the Department of Agriculture within the next two weeks to maintain the flow of commodities in October, November and December.

Without a continued supply of PL 480 Title III commodities, the voluntary agencies' operations overseas would be disrupted. If these operations have to be discontinued they may be difficult to restore. Additionally, disruption of the Title III programs would open us to the charge, at home and abroad, that we use the hunger of the needy and of children to apply political pressure to resolve our differences with the governments of these countries. The ensuing public debate would divert attention from the major and fundamental issues which are at stake. Congress has repeatedly exempted humanitarian programs (PL 480 Title III) from political restrictions considered for other aid programs. Furthermore, the concessional food aid program (PL 480 Title I) and the economic assistance program (AID) provide far more leverage for resolving these issues.

Our agreement at this time to proceed with the FY 1966 Title III programs would not irrevocably commit us for the full year's program. Should we fail to make satisfactory progress with respect to the issues which now divide us, we can, at any time, suspend shipments and cancel programs unilaterally and without prior notice.

CONFIDENTIAL

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- 3 -

The normal practice is for the voluntary agencies to work out Title III programs in cooperation with, at the specific request of, and under agreements negotiated by them with the foreign governments. This practice is consistent with the spirit of the Title III legislation and we have not therefore previously required a written endorsement of the voluntary agency request by the foreign government. Under present circumstances, however, I believe we should require such an endorsement from these three countries. In reaching this conclusion, I have in mind both the size of the programs involved and the nature of our current relationships with these particular governments.

Dean Rusk

Dean Rusk

CONFIDENTIAL

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

179

Friday P.M.

Bob -

Per our conversation
on the phone, I
am forwarding
this at Dave Bell's
suggestion.

We are now
working on getting
the Title I memo
moving in your direction
Bill M.

AUG 24 1965

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EXECUTIVE SECRETARIAT

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DRAFTED: August 18, 1965

INITIALED: AUG 19 1965

Judice
Food

INFORMATION MEMORANDUM FOR THE ADMINISTRATOR

THROUGH: EXSEC *RCQ*

SUBJECT: India - Wheat Pipeline

Attached is a paper providing the latest available information on Indian foodgrain production, buffer stocks, and consumption as they affect the need for P. L. 480 shipments. The Indian Central Government-controlled supplies of wheat and rice are very small in relation to prospective demands. Hoarding, rationing in some areas, and continued restrictions on interstate movement of grain complicate the potential pattern of what could happen if the P.L. 480 Title I agreement is not approved by the United States within the next three to four weeks.

Thus far the interim agreement for 1,000,000 tons of wheat has served as a temporary check on price increases and hoarding in India. If the larger pending agreement for 5 million tons is not signed shortly, it is anticipated that withholding of quantities of the October-December Indian rice and wheat crops from the market will precipitate rising prices, critical regional and urban shortages in market supplies, and increase local unrest in many areas.

Experience indicates that it takes 4-6 weeks to reach agreement with the Indians, arrange contracts for ships, and start the flow of grain under a new agreement. Timing is discussed in detail in the last page of this paper.

Wm.

William B. Macomber, Jr.
Assistant Administrator
Bureau for Near East and South Asia

Clearances:

CHRees, NESA/SA *Rees*

GROUP 4
Downgraded at 3 year
intervals; declassified
after 12 years

~~CONFIDENTIAL~~

DECLASSIFIED
Authority *Group 4*
By *jc*, NARA, Date *3-30-04*

HFThomas/CSHatton:ifj:NESA/SA
8/18/65

AUG 20 1965

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SUMMARY OF FOODGRAIN SITUATION IN INDIA

Production

Total production of foodgrains and pulses during the crop year 1964-65 (ending July 1965) was a record 87.5 million metric tons, or 9% above the 1963-64 harvest of 80 million tons. The bulk of production is cereal grains (rice, wheat, sorghum, corn, etc.) which total about 75.5 million tons. Pulses (chickpeas, etc.) total 11.9 million tons.

The anticipated production for FY 1965-66 will undoubtedly be smaller because the summer monsoon arrived late in many areas.

Consumption

India's total annual consumption requirement for foodgrains is estimated at over 92 million tons. Recent reports, however, indicate that per capita consumption in both rural and urban areas has been slightly higher than first estimated due perhaps to rising incomes. Now, in view of the tight food situation, the Government is introducing rationing in cities of over one million population. It remains to be seen how well this program can be enforced and how it affects the estimates of total consumption.

Stocks

Latest complete data on buffer stocks are for the period ending May 30 when the GOI held 595,000 tons of wheat and 515,000 tons of rice or a total of 1,110,000 tons. Fragmentary data for July 1 indicates that the GOI stocks were still only about 1 million tons. These amounts are a substantial improvement over the December 1964 stocks which totalled only 506,000 tons. Stocks, however, continue to be small in relation to needs.

Some Indian states also maintain wheat and rice stocks. On May 30 these consisted of 240,000 tons of wheat and 1,093,000 tons of rice.

Drawdowns from GOI stocks have been running at about 690,000 tons during the period of January-May but the GOI hopes to reduce this to 450,000 tons monthly to help build additional buffer stocks. We do not believe the GOI will be able to restrict drawdowns from Central stocks to the 450,000 ton monthly rate until sometime after November 1.

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Authority AND Guidelines 101695
By jc NARA, Date 3-30-01

~~CONFIDENTIAL~~

- 2 -

Based on currently available data, we would estimate the developing stock situation as follows:

<u>GOI Central Gov't Stocks July 1, 1965</u>	1,000,000 tons
<u>Stocks Held by States July 1 (est.)</u>	<u>1,200,000</u>
<u>Total on Hand in India July 1</u>	<u>2,200,000</u>
<u>U.S. PL 480 Arrivals (projected)</u>	
July	500,000
August	850,000
September	320,000
October	<u>450,000</u>
	<u>2,120,000</u>
<u>Total Available</u>	<u>4,320,000</u>
<u>Estimated drawdown July 1-November 1</u> (July 690,000; August, September and October each 600,000 tons)	<u>2,490,000</u>
<u>Total on hand November 1.</u>	1,830,000

The GOI stock-building program was not very successful during the January-May period due to:

- (A) disruption of imports caused by the U. S. East Coast dock strike and
- (B) the continued high rate of distribution from Central stocks.

If the rate of hoarding or consumption increases during August-November, requiring increased drawdowns from Central stocks during this period, and P. L. 480 arrivals are slowed for any reason, the Central Government stock position estimated above at November 1 could be significantly less.

Price Situation

Prices of most foodgrains (other than rice) declined in the first five months of 1965. The All-India wholesale index for cereal grains declined from 145 in January to 137 in May. Despite this downtrend, prices of most cereals and pulses during January-May, 1965 were substantially higher than a year ago. The cereal group index in May, 1965 stood 7.8 percent higher than in May, 1964, and the wheat index was 15 percent above the level of May 1964.

The 5-month downtrend halted during June and a substantial rise has since occurred. During the second week of July, the cereal group index stood at 140.4 compared to 137 for July 1964. The wheat index for the same week reached 135.4 as compared to 116 for July 1964.

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Regarding rice, a meaningful comparison cannot be made because of Government controls on prices.

In any discussion of foodgrains prices, it is evident that the U. S. P.L. 480 program has been a vital factor in preventing Indian foodgrains prices from rising much higher than they have to date. Any serious interruption of U.S. grain shipments could easily trigger a new round of price advances.

Timing

Two factors enter into the problem of maintaining shipments.

(a) About 4-6 weeks are needed to book shipping in the magnitudes required. This normal figure may be slightly longer this fall due to the increased demand for U. S. flag vessels for Viet Nam.

(b) If we assume ships are available, 4-5 weeks will elapse between a Washington decision and the departure of the first ship: one week is required to wrap up the agreement in New Delhi; 2-3 days for issuance of PA's; 1 week for the Indians to request and receive tenders; 2 weeks to move grain to ports and load ships. This all works out to a need to sign the new P.L. 480 agreement by about September 14 or 15.

It may at first appear that the Indian harvest of October-December reduces the necessity for the United States to reach a decision on P.L. 480 by September 15. It would be unrealistic to reason in that manner. U. S. supplies of wheat, even though only $6\frac{1}{2}\%$ of India's total foodgrain consumption, prevent extensive hunger, are a vital factor in price stability, discourage hoarding and speculation, and provide a degree of foodgrain market stability that would otherwise be unattainable. The availability of 5,000,000 tons of wheat represents the critical margin between unrest and a reasonable degree of stability in the food situation. The probability is slight that India could obtain wheat of this order of magnitude from other suppliers (Australia, Canada, France, Argentina) in view of heavy purchases in these markets by the USSR and Communist China.

~~CONFIDENTIAL~~

HPThomas/CSHatten:ifj:NESA/SA
8/18/65

July 29, 1965

MEMORANDUM FOR

Robert Komer

180
Indira Ghandi

The donation program in India is operated by the four largest American voluntary agencies -- Catholics, Protestants, Lutherans and CARE -- and is administered primarily through state governments. It is making a significant contribution toward the health of the new generation in India, but what may be even more important in the long run, it is helping the states to establish and gain operating experience in an effective social welfare program.

Progress has come very slowly because the Indians were initially suspicious of the American agencies, particularly the religious-related ones, and were reluctant to devote the necessary Indian resources to establish school lunch, institutional feeding, and mother/child center programs. Despite the magnitude of the job, some real success has been made and today both federal and state attitudes toward the programs and the agencies are good. The Indians are participating wholeheartedly.

It should be emphasized that we have achieved an excellent posture of nonpolitical distribution of relief foods under our donation program. These Title II and Title III uses of food have not been criticized in the Congress, even during the fever of debate about concessional sales of food to UAR, Poland and Yugoslavia. The Hickenlooper Amendment, for example, specifically exempts our food relief from its mandatory aid shut-off provisions.

Attached is a breakdown of programming, approved in the field, now waiting Washington clearance. Since July 1, we have been maintaining these programs with supplies already in the pipeline. It already is late if we are to prevent an interruption in distributions.


Richard W. Reuter

Enclosure
RWR/mtm

JUL 29 1965

180a

INDIA - FOOD FOR PEACE DONATION PROGRAMS THROUGH VOLUNTARY AGENCIES (TITLE III, PL 480)

Four voluntary agencies, CARE, Catholic Relief Services, Church World Service, and Lutheran World Relief, and one international agency, UNICEF, are distributing foods available under Title III of PL 480 to about 11 million people in India.

Expansion to about 12 million is proposed for the current fiscal year. Over 10 million of those receiving the food are school children, infants and nursing mothers.

The estimated value of the food to be supplied this year is \$41 million.

Food shipments are currently being held in abeyance but the programs are continuing out of food available in the pipeline.

Number of Persons - (In Thousands)

	Infants and Nursing Mothers		School Lunch		All Other		Total	
	<u>FY 1965</u>	<u>FY 1966</u>	<u>FY 1965</u>	<u>FY 1966</u>	<u>FY 1965</u>	<u>FY 1966</u>	<u>FY 1965</u>	<u>FY 1966</u>
	CARE			6,577	9,187	416	-	6,993
CRS	33	21	589	557	1,226	996	1,848	1,574
CWS	9	9	209	174	234	192	452	375
LWR	2	2	52	44	51	51	105	97
UNICEF	865	707	815	<u>1/</u>	-	-	1,680	707
Total	909	739	8,242	9,962	1,927	1,239	11,078	11,940

Million lbs - All Commodities

336 463

Million dollars - Export Market Value

\$ 32.2 \$ 40.8

1/ Shifted to CARE.

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OUTGOING
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DEPARTMENT OF STATE

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SENT TO— Amembassy NEW DELHI AIDTO 110 PRIORITY

DISTRIBUTION
ACTION

INFO.

SUBJECT—

REFERENCE— AIDTO A-1842

- BUNDY SMITH
- BATOR
- BOWDLER
- BOWMAN
- CHASE
- COOPER
- HAYNES
- JESSUP
- JOHNSON
- KEENEY M
- KLEIN
- KOMER
- MOODY
- REEDY
- SAUNDERS
- THOMSON

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JOINT STATE/AID/USDA
FOR THE CHARGE
PL 480 Agreement.

DECLASSIFIED
E.O. 13292, Sec. 3.5
NLJ 04-180
By iss, NARA, Date 11-29-04

Inasmuch as our consideration pending request for new PL 480 agreement not yet completed, we willing offer GOI interim arrangement for 1.0 million tons wheat to meet urgent needs as suggested by Subramaniam. You should inform GOI that intent of ~~arrangement~~ ^{arrangement} is to provide two months' imports under PL 480 Title I. Anticipate GOI will apply for PA's immediately after notes exchanged.

You authorized negotiate amendment to Title I PL 480 agreement September 30, 1964 as amended to add \$58.8 million for wheat/wheat flour. Amendment requires FY 1966 usual marketing commitment of 200,000 MT wheat, \$600,000 additional for 104(a) and (b). Following applicable this amendment:

PAGE OF PAGES

DRAFTED BY MR/FP:KBittermann USDA/FAS:WHorbaly AID AND OTHER CLEARANCES	OFFICE	PHONE NO.	DATE 7/17/65	APPROVED BY: AA/MR: Herbert J. Waters
SOA:SSoer NEA:PTalbot USDA/FAS:RShogouey E:EFried (subs)	L/T:JBradford L/T:JDStoner NESA:WFurst	AA/NESA:WBMscomber White House - Mr. Bundy	S/S -	REPRODUCTION FROM THIS COPY IS PROHIBITED UNLESS "UNCLASSIFIED".

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S/S-O: ERWilliams

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P-1
MR-5
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NSA
NSC
TRBAS
WHR
USIA

1. Currency uses (in percent total): US Uses 20, Cooley 5, 104(g) 75.
2. Limitation on CCC ocean freight financing--see para 3 refair.
3. USG may deposit LC in interest-bearing accounts--see para 5 refair.
4. Interest rate Cooley loans--see para 6 refair.
5. 104(g) loan terms 40 years maturity, three-year grace period on payment principal. One percent interest for 10 years, 2-1/2 percent for 30 years. Same terms applicable December 31, 1964 amendment.

You should attempt reach agreement on Calcutta project as explained refair.

Re Embtel 3705, provision for 104(a) convertibility from loan repayments (including principal and interest) statutory requirement. Section 7(a) of 104(g) loan agreement includes convertibility provision. Language inadvertently omitted Enclosure 1, ~~refair~~ refair.

Following is draft proposed note to be exchanged with GOI (unnecessary words omitted):

BEGIN TEXT:

Excellency: Have honor refer to Agricultural Commodities Agreement between two Governments signed September 30, 1964, as amended, and propose agreement be further amended as follows:

1. In commodity table in paragraph 1, Article I, increase value wheat from \$269.53 million to \$328.33 million and increase total from \$426.70 million to \$485.5 million.
2. Renumber paragraph 3, Article I to paragraph 4 and insert new paragraph 3

read as follows:

QUOTE 3. GUSA will finance ocean transportation costs of \$58.8 million worth of wheat added by amendment to this agreement only to extent that such costs are higher than otherwise would be case by ^{of} ~~reasonable~~ requirement that approximately 50 percent by tonnage of such wheat be transported in United States flag vessels. Balance of the transportation cost for such wheat required to be carried in United States flag vessels shall be paid in dollars by GOI. Promptly after contracting for United States flag shipping space required to be used, in any event not later than presentation of vessels for loading, GOI will open letter of credit, in dollars, for estimated cost ocean transportation of such wheat carried in United States flag vessels.

UNQUOTE.

3. In paragraph A, Article II, substitute QUOTE 11.2 percent UNQUOTE for QUOTE 10 percent UNQUOTE and substitute QUOTE \$2.6 million UNQUOTE for QUOTE two (2) million dollars UNQUOTE.
4. In paragraph B, Article II, delete QUOTE 10 percent UNQUOTE and insert QUOTE 9.4 percent UNQUOTE.
5. In paragraph C, ARTICLE II, delete QUOTE 80 percent UNQUOTE and insert QUOTE 79.4 percent UNQUOTE.
6. GOI agrees rupees received by GUSA under amendment may be deposited in interest-bearing accounts in banks in India selected by GUSA.
7. Article II, subparagraph B(4), will not require GUSA to make loans with funds accruing under this amendment at interest rates of less than cost

of funds to United States Treasury on comparable maturities.

8. In numbered paragraph 3 of United States note of Sept. 30, 1964,

delete QUOTE \$8.524 million UNQUOTE and insert QUOTE \$9.710 million UNQUOTE.

This proposal is made on understanding that, in addition to purchases under terms this amendment, the GOI will procure and import with its own resources from United States and countries friendly to United States during United States fiscal ~~YEAR~~ year 1966 200,000 metric tons of wheat. If deliveries under this amendment extend into subsequent period, level of usual marketing requirements for such period will be determined at time that request for extension of deliveries is made.

It proposed this note and your reply concurring ~~XXXXXXXXXXXX~~ therein shall constitute agreement between two Governments on this matter to enter into force on date your note in reply.

Accept, Excellency, etc. END TEXT.

If above note acceptable GOI without change you authorized exchange notes notifying AID 72 hours (not counting US holidays and weekends) in advance of date and hour of exchange. Confirm exchange priority in clear in AID series. Airpouch documents in accordance 11 FAM 326.

END

RUSK

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D.C.

Schulze
latest draft
183
India
July 15, 1965

MEMORANDUM FOR THE PRESIDENT

Subject: India and P.L. 480

I understand from Bob Komer that you are prepared to go ahead with an interim P.L. 480 agreement with India. But you wish to find a way to engage Congress in support of your action. I have explored possible means of accomplishing your objective with Komer and Bator and with top people in AID, State, and Agriculture. We have identified four alternatives which are outlined below, along with pro and con arguments for each. All the alternatives involve going ahead with something for India now, because of the time required for even the quickest congressional action. Everyone consulted believes that political or substantive disadvantages disqualify every approach except the last (number 4). We consequently recommend that you adopt the last alternative.

Alternatives

1. Announce a partial (1 million tons of wheat, about 2 months' deliveries) interim agreement with India and submit a complete revision of P.L. 480 to the Congress this session. The transmittal message would make it clear that the remainder of the Indian agreement would await Congressional action on the bill.

Pro:--This would provide for the earliest possible reorientation of the P.L. 480 program -- one year ahead of schedule.

Con:--We are simply not in a position to develop a full-scale redo of P.L. 480 in the next month.

--Even if we could, it is extremely unlikely that the Congress would complete action on such controversial legislation this session.

--In the absence of Congressional passage, we would be back in the soup in India in two months.

JUL 16 1965

2. Announce a partial interim extension agreement with India, and propose selected amendments to P.L. 480 this session -- in advance of next year's general revision. As in #1, the remainder of the Indian agreement would await Congressional action.

The most promising possibility would be an increase in the Title II authority, whereby the President can transfer surplus commodities on a grant basis to meet famine or other emergencies or to promote economic or community development. This increase could become part of a special Asian relief and development program.

Pro:--The legislation would provide a vehicle for Congressional expression of approval for Indian P.L. 480.

--The special Asian development character fits other U.S. initiatives.

--Under Title II we need no longer accumulate embarrassing surpluses of unusable excess currencies.

Con:--This particular amendment would be very controversial and it would be hard to find an important, but non-controversial substitute.

--The Appropriations and Agriculture Committees (e.g. Ellender) would be very reluctant to increase Title II authority. Adjournment could well find us with action not completed.

--On the basis of past experience, amendments to P.L. 480 invite extensive further amendments -- usually undesirable.

--India would particularly resent a relief-grant approach.

3. Announce a partial interim extension of the P.L. 480 agreement with India; seek a joint Congressional resolution authorizing you to appoint a study committee (to recommend new proposals for P.L. 480 extension next session, along lines indicated in #4 below). As in alternatives 1 and 2, the remainder of the Indian agreement would await Congressional action. An accompanying message would spell out the kinds of changes needed in P.L. 480 and indicate the major points to be covered in the study.

Pro:--The resolution would provide congressional sanction for the partial interim India agreement and others.

--You could announce now your plan to develop and submit a new food aid approach next year.

Con:--You do not need authorization to establish a study and sign P.L. 480 agreements. This fact will be pointed out.

--A congressionally authorized study might come out heavily loaded with Congressional members, like the study of the AID program in the Morse amendment to the AID bill and might be wholly unacceptable.

--Explicitly tying Executive action on P.L. 480 agreements, already authorized by law, to passage of a Congressional resolution may invite future Congressional encroachments on Presidential authority.

4. Request a Joint Congressional Resolution which:

- . endorses your prior action in authorizing a one-year extension of the P.L. 480 agreement with India
- . supports, in advance, the basic direction you intend to take in developing your proposals for P.L. 480 at the next session of Congress.

In an accompanying Message you would:

- a. Stress your concern over the dangerous food problem facing the world and particularly Asia in the coming years.
- b. State your conviction that our Food for Peace program will require major redirection if we are to help the developing nations cope with this problem.
- c. Announce that you are now studying ways of re-directing these programs so that U.S. food aid will:
 - be contingent upon effective self-help efforts by the recipient nation, particularly those aimed at securing an expansion in agricultural output.
 - maximize the contribution of food aid to overall economic development goals.
 - meet the nutritional needs and prevent famine among the peoples of the recipient countries.
- (A) d. Emphasize the connection between the food problem and the population problem and reiterate your willingness to work with LDC's on programs to moderate the population explosion.
- e. State your intention to submit major changes in P.L. 480 legislation at the next session, once your intensive study has been completed.
- f. Finally, Announce that you have authorized the signing of a new one-year agreement with India making available 6 million tons of wheat. (A full one-year agreement avoids the embarrassment of a dramatic Congressional endorsement of only 2 months worth of food)

Pro:--This alternative maintains Presidential prerogatives to act under the present P.L. 480 without explicit congressional concurrence.

--Yet it provides an opportunity for Congress in effect to endorse your action on India.

--It permits us to move ahead at once to meet the very serious Indian food problem.

--It allows you to prepare the Congress now (and get their general agreement) for a basic revision of food aid policies and programs next year.

--The developing countries will be put on notice that as a condition of food aid the President and the Congress will require them to take major action to increase agricultural production. This could be most useful even in this year's P.L. 480 negotiations.

Con:--This course of action does not get clear-cut prior congressional approval of a one-year P.L. 480 agreement with India.

--The suggestion of a basic redirection for P.L. 480 along the lines suggested will create concern on the part of certain key members, especially Senator Ellender and Congressman Whitten.

Another Possibility

These are the available alternatives as we see them. All of them have disadvantages. After reviewing them you may wish to consider

- abandoning an approach to Congress at this session
- going ahead with major revision in P.L. 480 next session, and
- pending next year's revisions, authorize a one-year P.L. 480 extension to India (and to other countries as the need arises).

Approve alternative:

1. _____ complete revision of P.L. 480 this session -- 2 month India agreement
2. _____ selected amendments to P.L. 480 this session -- 2 month India agreement
3. _____ Joint Resolution authorizing study committee -- 2 month India agreement
4. _____ Joint Resolution endorsing basic direction of new food approach -- one year India agreement.

Abandon Congressional approach and go ahead with one-year India agreement _____.

Charles L. Schultze
Director

~~SECRET~~

183

India

Talking Points on India P.L. 480 Agreement

Objective

Improved political relations with India.

Strategy

Use appropriate assistance programs as leverage.

Tactics

Is P.L. 480 wheat agreement appropriate weapon, and to what extent?

Timing for new P.L. 480 Agreement

The last of the wheat under the current P.L. 480 agreement will arrive in India about September 10.

To avoid a gap in the pipeline of wheat shipments, the Embassy should begin negotiations no later than the end of the coming week, about July 10.

Supply

No significant new crops will come in until the October rice crop. This year's monsoon is a little late, a possibly bad augury for the size of the harvest.

If withdrawals from central government stocks continue at recent rates, the Indian government's central stock would last about two-three months beyond the last shipment.

Last year P.L. 480 shipments supplied about 11.5 per cent of total Indian wheat and rice consumption; on wheat alone, our shipments were about one-third of the total Indian consumption.

~~SECRET~~

DECLASSIFIED
E.O. 13292, Sec. 3.4
By *je*, NARA, Date 3-30-04

GROUP 2
Exempted from
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- 2 -

Some State governments hold limited stocks, but these are inadequate to meet the situation. Moreover, emergency measures against the states would have to be invoked to make them available.

Economic Consequences of Gap in Pipeline

Reaction would quickly follow public knowledge of suspension of shipments.

With the memory of the food shortages and riots of 1964 fresh in the Indian mind, public awareness of an indefinite delay in P.L. 480 food shipments would rapidly result in hoarding and price rises. Actual grain shortages would most likely become evident in the urban areas in a very short time.

Public pressure for accelerated distribution of available government buffer stocks would increase rapidly.

The Indian government would be forced to take drastic measures to assure a regular flow of food to urban areas, to head off local famine and violence which would threaten to undermine public confidence in the Shastri government, if not in India's system of parliamentary government.

Measures adopted by the GOI might include:

- stretch out of releases of central government stocks. The government has already announced a decision to reduce withdrawals from 600 to 450 thousand tons per month. They might decide to tighten the belt even further.

- Imposition of drastic price and distribution controls. This would run counter to the policy of Minister of Agriculture Subramaniam to provide more financial incentives to farmers and to place greater reliance

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- 3 -

on market forces rather than cumbersome government controls. These progressive policies -- and quite possibly the Minister as well (the best they have had) -- would most likely be casualties of any new food crisis, seriously setting back the permanent solution to India's food problems.

- Penalties for hoarding would be imposed creating the spectre of police state methods to enforce them.

- Imports from other countries at the best possible terms that the Indian government can get. Soviet Russia may well decide again to fish in troubled waters by supplying limited amounts of wheat either directly or by diverting some wheat ships from Australia or elsewhere to India, as they did in the case of Egypt. While India realizes that they depend on the U. S. for the short and medium range solution of their food problems, they might find it difficult to refuse Soviet offers. Propaganda gains for the Soviets could be all out of proportion to the possible magnitude of the assistance rendered.

India is in the midst of a foreign exchange crisis, which was aggravated (to the tune of about \$50 million) by foreign food purchases last year. These purchases were partly the result of last year's food crisis and partly to tide the country over the gap in the P.L. 480 pipeline cause by the U.S. dock strike last winter. Essential imports have had to be cut back, adding to idle industrial plant capacity and to high levels of urban unemployment. Any special diversion of foreign exchange

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- 4 -

for food imports would further darken the economic outlook and tend to undermine the position of the position of the Shastri government.

Possible Alternate Sources of Supplies

Wheat

Only Canada has substantial quantities for immediate deliveries. Canada has in the past provided modest quantities of wheat on a concessional basis, with occasional grant assistance.

Argentina has two million tons available, but the available ports are already overloaded with other commercial shipments. Wheat might be moved, if the price were right.

Australia and France have very little surplus.

Rice

Thailand could furnish small amounts (about 50,000 tons), and possibly more when the crop is harvested in early fall.

Relation to United States Objective

A principal U.S. objective has been to facilitate sound political growth in India through reasonable economic progress. Foreign aid, including P.L. 480, has provided the critical margin India needs not only to feed its people but to devote a portion of its resources to broadening the nation's economic horizon.

Under Shastri, India's political system has been evolving toward a more democratic distribution of power than was possible under the Nehru regime. This development is basically in our interest. It is impossible to predict what would ensue if the Shastri government were to fall as a result of a food crisis, but in any event the orderly succession of power under the parliamentary system might be thrown into the balance.

~~SECRET~~

~~SECRET~~

- 5 -

A cut-off of food shipments would arouse deep Indian animosity at all levels toward the United States and seriously threaten to undermine the basis for a lasting friendly and mutually cooperative relationship between our two countries.

Even a temporary suspension of food shipments or a lengthy delay in negotiating a new agreement would almost certainly become a matter of public controversy in India. This would create internal political pressures on Shastri to which he would have to be responsive. U.S. interest would not be served.

Back to Tactics

Since overall discussions on political matters have just started and are not likely to have proceeded very far by July 10, the last day for making a decision on P.L. 480, a temporary extension of wheat shipments -- say, for 60 days -- seems appropriate to keep the wheat pipeline full while talks with the Indians on broader matters proceeded.

This extension will plainly not take any pressure of the Indians in the discussions, and if the public announcements are handled correctly, it should avoid adverse effects in the Indian food market, or at least contain them.

Conclusion

Recommend extension of the present P.L.⁴⁸⁰ agreement by 60 days, adding about one million tons of wheat, and adjusting the terms to comply with recent legislative changes.

WCFurst, NESA/SA
7/2/65

~~SECRET~~

RWK -

~~CONFIDENTIAL~~

India PL480

Macomber's people reach about the same conclusions I did. (In fact, you'll find some of my words in this memo). *H*

DRAFTED: June 30, 1965

INITIALED:

India - Ecom

INFORMATION MEMORANDUM FOR THE ADMINISTRATOR

THROUGH: EXEC

SUBJECT: INDIA: Wheat Pipeline

There is attached a paper which discusses the wheat pipeline for India and examines the direct consequences of a hiatus in P.L. 480 shipments.

Information on production, consumption, stocks and prices is included in an Annex.

William B. Macomber, Jr.
Assistant Administrator
Bureau for Near East and South Asia

Attachment

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 13292, Sec. 3.4
By *jc*, NARA, Date *3-30-07*

JUL 1 1965

WCFurst:HEEA/EA:6/30/65

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~~CONFIDENTIAL~~

SUPPLY SITUATION FOR WHEAT IN INDIA

Shipping Situation

All PA's under the existing agreement have been issued, except for \$300,000 which are held up pending settlement of usual marketing problems. We understand from the Department of Agriculture that ships will be departing regularly until August 10, or possibly a few days later, assuming prompt issuance of remaining PA's. Counting 30 days in transit, the Indian end of the pipeline will be dry about September 10, or at best a few days later.

Timing

Two major technical factors affect the resumption of shipments:

a) It takes about 4-6 weeks to book shipping in the magnitude required. A lead time of less than six weeks is feasible in present market conditions but could lead to sharp increases in freight costs. On the other hand, the ships now in the wheat trade to India might have difficulty finding employment elsewhere. Thus, a decision might be delayed until about July 10 without causing excessive difficulty or expense.

b) Assuming ships are ready, it will take 4-5 weeks between Washington decision and first ship departures: 1 week to instruct and wrap up agreement in New Delhi; 2-3 days for issuance of PA's, 1 week for Indians to request and receive tenders; 2 weeks to move grain to port and load ships. This works out to require a decision by July 8 or 9.

Thus, the critical date seems to be July 10.

Consequences of delay

The immediate danger from a hiatus is more economic and political than caloric. The experiences of the Indian food crisis in 1964 and of the U. S. dock strike in early 1965 indicate that the Indian population and economy are extremely sensitive to fluctuations in the supply of food-grains, real or imagined. We would expect resumption of hoarding by traders and households leading to strong upward pressure on food prices, which have been reasonably stable during the past 6 months. Pressure for accelerated distribution of the government's limited stocks would increase rapidly. While present buffer stocks are not large, they are sufficient for perhaps 2-3 months under normal conditions, but would disappear quickly under unusual pressure. There would still be some

GROUP 3
Downgraded at 12 year
intervals; not
automatically declassified

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E.O. 13292, Sec. 3.4
By J, NARA, Date 3/30/01

~~CONFIDENTIAL~~

- 2 -

State and private stocks, but prices would spiral quickly raising the possibility of food riots in some places.

The GOI is aware that timing is now tight as evidenced by Subramaniam's demarche to Greene on June 29. Unless a decision is made by July 10, an interruption of shipments become almost unavoidable. Even then, some heroic measures will be needed to mobilize shipping, issue RA's and tenders. However, the long lead times involved may obscure the seriousness of the situation to the Indian public for some time, perhaps 2-3 weeks as a guess.

The GOI would have a limited grace period for making alternate arrangements, such as purchases elsewhere, as it did at the time of the U. S. dock strikes. To reassure the public, the GOI procured large amounts of wheat and rice with free foreign exchange at a cost of about \$ 50 million. India's capacity to repeat this operation is limited due to declining foreign exchange reserves. In present circumstance, alternative procurement of foodgrains would undoubtedly be at the expense of essential imports for the development program.

Last year's food crisis shook the Shastri Government. Another experience of this kind could threaten the stability of the government.

A most likely casualty of any new food crisis would be the progressive agricultural policies of Food and Agriculture Minister Subramaniam which we have been supporting. Survival of that program (and possibly of Subramaniam) depends on a protective umbrella of P.L. 480 wheat shipments. The system of incentive prices for producers introduced last year, the progress towards greater reliance on market forces (instead of direct government controls) in the collection, storing and distribution of foodgrain, the movement towards abolition of rationing depend for an opportunity to prove their worth on the accumulation of buffer stocks by the GOI.

The most likely reaction of the GOI to an interruption in U. S. supplies would be to try to stretch domestic supplies by rationing and other tight marketing and price controls and to supplement supplies by limited purchases of grains outside the U. S.

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ANNEX

DECLASSIFIED
E.O. 13526, 508 24
By je, NARA, LEO 3-3007

Production

Production of food grains in 1964/65 is estimated at 87.5 million metric tons, or about 11% higher than 1963/64. The total includes 38 million tons of rice and 12 million tons of wheat. Prospects for 1965/66 are uncertain and very largely dependent on the monsoon, now beginning. Rice and wheat are treated as interchangeable for this study, actually most Indians prefer rice.

The bulk of food grains produced moves in private trade channels. Substantial amounts of the crop are held at the producer/village level in anticipation of price rises later in the year as the available supplies diminish. The efforts of the central and State governments to acquire substantial buffer stocks from domestic production have met with limited success.

Consumption

Consumption of food grains in 1965/66 is estimated at about 92 million tons, assuming no change in private stocks, money supply, or diet, and a per capita consumption of slightly over one pound of grain per day. This obviously understates requirements since India is a chronically food short economy and consumption is at minimum levels.

Stocks

Latest available data on buffer stocks are for May 8 when GOI had stocks of 512,000 tons of wheat and 542,000 tons of rice, for a total of 1,054,000 tons. This is a sharp recovery from last December when GOI stocks had fallen to 506,000 tons, consisting of 284,000 tons of wheat and 222,000 tons of rice. The recovery is partly due to accelerated P.L. 480 shipments, supplemented by large scale imports of wheat from Australia and Canada and of rice from South East Asia.

During the first four months of 1965, drawings on GOI stocks, mostly wheat, have averaged about 650,000 tons per month. The GOI has recently announced a "belt tightening" effort under which drawings on stocks are to be reduced to 450,000 per month. Success is doubtful with the "lean months" of August/September coming up, preceding the new rice crop in October/November.

A record amount of 900,000 tons of wheat (chiefly P.L. 480) was imported in June, but the rate of arrivals in July and August is bound to be lower because of the monsoon. Nevertheless, some further increase in government stocks can be anticipated in June and July. A rough estimate would be 500,000, making total end July GOI wheat and rice stocks an estimated 1,550,000 tons.

Aside from central government stocks, some of the States also maintain wheat and rice stocks. These stocks rose from a low of 387,000 tons in

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- 2 -

December 1964 to 1,229,000 tons on May 8, 1965. The latter stock consists chiefly of rice, and is held primarily in the Southern rice surplus states of Madras and Mysore, and is not, under present Constitutional arrangements, available to the central government.

Prices

As a result of the food crisis of 1964, prices of all foodgrains rose sharply throughout most of the year, the food index rose from 140 in the first quarter to 168 in the fourth quarter. The crisis was largely one of public fear of shortages inspired by speculation and increases in hoarding. Food shortages in parts of the country were chiefly the result of market manipulation because of distribution problems and mismanagement. The government tried to counter these price rises chiefly by exhausting its buffer stocks and by increasing imports as rapidly as possible.

As confidence was restored with the help of increased P.L. 480 shipments, prices began to decline near the end of the year. For instance, the wheat price index in May was 15% lower than in January 1965, but it was still higher than in May 1964.

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NEEA/EA 6/30/65

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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D.C. 20250

~~ADMINISTRATIVELY CONFIDENTIAL~~

JUN 21 1965

To: Robert W. Komer
National Security Council

India Econ

BR

From: C. R. Eskildsen
Associate Administrator

Following our telephone conversation on the food requirements in India, we find that the situation is as follows:

1. Foodgrain stocks in India are virtually non-existent in relation to consumption requirements because of the necessity to draw down reserve stocks to meet India's food crisis last year.

On May 8, government stocks of wheat and rice were 1,054,000 tons. The average monthly offtake in the first four months of 1965 was 600,000 tons. The GOI now plans to reduce the monthly offtake to 450,000 tons in order to maintain stocks at a level to prevent a crisis such as occurred earlier this year. Thus stocks on May 8 represented about two months' supply at the reduced offtake rate.

2. The last purchase authorization under the current PL 480 agreement was issued on May 14, 1965 for 600,000 tons of wheat for delivery through August 31, 1965. There are also residual funds available for approximately 285,000 tons more which would fulfill about half of the September requirement.
3. In order to prevent an interruption in the food shipments it would be necessary for new shipments to commence by September 1, 1965; in order for the shipments to begin at this time it would be necessary for contracts for the shipments to have been made by August 15, 1965; in order for the contracts to be made, it is necessary for the Indians to have a purchase authorization by July 15, 1965. The purchase authorization can be issued on the same day the agreement is signed.

~~ADMINISTRATIVELY CONFIDENTIAL~~

JUN 21 1965

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CONFIDENTIAL

RWK:

June 22, 1965

A double-check with both State and Agriculture verifies these conclusions about the timing of our Indian PL 480 agreement:

1. The comfortable date for beginning negotiations to avoid a hiatus in shipments is 22 June. This date allows normal time to negotiate, arrange shipping, procure and get grain to port.

2. Assuming a crash effort all around once we decide to go ahead, the latest date for beginning negotiations is 6 July. (Eskildsen's memo says Indians must have PA by 15 July. Allow a week to wrap up the agreement plus a couple of days to issue the PA--more likely than not allowing any as in his memo--and you're back to 6 July.) This assumes unusually quick booking of ships.

3. The immediate danger from a hiatus in shipments is more economic and political than caloric. Previous experience suggests that within 7-10 days after the halt becomes known, free traders begin withholding grain from the market. This both raises prices and increases the drain from government stocks as the government releases stocks to keep prices down. A guess is that government stocks could be cleaned out in 2-3 months if shipments ^{definitely} stopped after 10 August, assuming no emergency shipments from other sources. There would still be some state and private hoards, but by that time prices would have spiraled and probably sparked food riots in some places.

When supplies under current agreement run out

Comment. USDA, State and the Indians would accept these conclusions, although all admit that dates might slip a week here or there in an operation as complex as this. The fact is (comparing this with our operation in Algeria to bring stocks to short tether) that India's stocks are very close to the wire and already well below what USDA and GOI considers the lowest safe point (2.5 million tons of wheat and rice). So any prospect of a hiatus in shipments will provoke an almost immediate GOI reaction.

[Signature]
HHS

DECLASSIFIED
E.O. 13292, Sec. 3.4
NSC Memo, 1/30/95, State Guidelines
By *pc*, NARA, Date 3/30/07

185b

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CALCULATIONS

1. Stock levels. On 8 May GOI stocks of wheat and rice were 1,054,000 tons. If the GOI succeeds in cutting monthly off-take from the current 600,000 tons to 450,000, we can expect a monthly net increase in stocks of 150,000 tons (assume US deliveries of 600,000 tons monthly). That would put stocks at about 1,600,000 tons when deliveries under the current agreement run out about 10 September. If shipments stopped and off-take ran up within a range of 5-800,000 tons monthly, the stock would be wiped out in 2-3 months, assuming no shipments from elsewhere.

2. Pipeline. USDA agrees with the Indian purchase mission that current PA's will keep ships departing until about 10 August (i. e. arriving until 10 September since ocean trip takes 30 days). It is possible that residual funds might add 10 days, but USDA feels 10 August is the best date to work from. So the Indian end of the pipeline will be empty about 10 September, or at best a few days after.

3. Timing. Two factors determine when we must begin negotiations to avoid a hiatus:

a. The Indian procurement mission here needs about 6 weeks to book shipping. Thus they should normally begin booking about 29 June. (Of course, they could be lucky and do it in less, or they might need longer.) To accommodate this, negotiations should begin 22 June.

b. It will take 5 weeks between Washington decision and first ship departure: 1 week to instruct and wrap up the agreement in Delhi; 1 week for USDA to issue Purchase Authorization (Eskildsen says USDA can do this the same day the agreement is signed, but the working level says that's possible but unlikely); 1 week for Indians to request and receive tenders; 1-1-1/2 to get the grain to port and 1/2 week to load. Thus the latest negotiations could begin is 6 July.

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E.O. 13292, Sec. 3.4
NSC Memo, 1/20/85, State Guidelines
By jc, NARA, Date 3-30-04

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Francis -

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File

1966

India
econ

Indian PL480 views from

State, AID, Agriculture. As you see, I've been around the circuit twice, and Macomber did his own check of my info.

The key question has been:

How long can we stall the new Indian agreement without doing economic damage?

Would you please return these papers:

Hal



186a

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D.C. 20250

~~ADMINISTRATIVELY CONFIDENTIAL~~

JUN 21 1965

To: Robert W. Komer
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~~ADMINISTRATIVELY CONFIDENTIAL~~

JUN 21 1965

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RWK:

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[Handwritten signature]
HHS

DECLASSIFIED
E.O. 13292, Sec. 3.4
NSC Memo, 1/30/95, State Guidelines
By *jc*, NARA, Date *5-30-09*

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E.O. 13292, Sec. 3.4

NSC Memo, 1/30/85, State Guidelines

By jc, NARA, Date 3-30-04

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India
PL480

RWK -

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DRAFTED: June 30, 1965

INITIALED:

INFORMATION MEMORANDUM FOR THE ADMINISTRATOR

THROUGH: EXEC

SUBJECT: INDIA: Wheat Pipeline

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William B. Macomber, Jr.
Assistant Administrator
Bureau for Near East and South Asia

Attachment

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E.O. 13292, Sec. 5.4
By jc, NARA, Date 3-30-01

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JUL 1 1965 WCFurst:NECA/EA:6/30/65

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SUPPLY SITUATION FOR WHEAT IN INDIA

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By jc, NARA, Date 3-30-09

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- 2 -

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ANNEX

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E.O. 13292, Sec. 3.4
By jc, NARA, Date 3-30-07

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- 2 -

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RWK:

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Except for approaches to
USDA noted in Macomber's
list, Agriculture can only
say that 3 of these offices
are in regular (daily to
weekly) contact with the
Indians here and that the
Indians have frequently
used working contacts to
push the new agreement.

USDA has no
record of these working
contacts.

H.

~~CONFIDENTIAL~~

187a

Indira Gandhi

CHRONOLOGY OF MAJOR
INDIAN APPROACHES
ON THE P. L. 480 AGREEMENT

January

GOI asked Australian Government for 1 million tons of wheat on a donational or other concessional basis to help GOI build up buffer stocks.
New Delhi - Agr. 84.

February

GOI asked Australian Government for 150,000 tons of wheat as a result of failure of U. S. P.L. 480 shipments to reach India, due to East Coast strike.
New Delhi to State 2209 dated Feb 7, 1965.

February

GOI asked Republic of Korea to divert 34,000 tons of Title I wheat to India to help relieve political unrest in India due to shortage of wheat
Seoul to State - 1114 dated Feb. 19, 1965

Late March

Informal notification from Indian Embassy to Dept. Agriculture of planned GOI request for new agreement. In reporting this to Embassy Delhi, we suggested it to advise GOI that we thought amount requested for two years seemed high but that "additional amounts would be supplied in the second year by amendment if needed."
State to New Delhi 2022 - March 29

March 30

Meeting between Mr. Diaz, Secretary in the GOI Food Ministry (accompanied by Guhan, Deputy to Indian Economic Minister in Washington) and State/AID representatives, chaired by Deputy Asst. Secretary Handley. Diaz stressed urgent need for two year agreement to provide supply stability needed to reassure public and to build buffer stock. Old buffer stock vanished. Indian efforts to improve agricultural production to be accelerated.

March 31

Mr. Diaz met with Secretary Orville Freeman for the same purpose. No intimation given in either conversation that U.S.

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Authority State 10-28-76
P. J. Lew. NARA, Date 3-29-09

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JUN 21 1965

Chronology

might not be willing conclude new agreement in time to keep pipeline full.

April 8

GOI submitted formal request for two year agreement. Government wheat stocks virtually non-existent. On February 28, only 298,000 tons of wheat and 400,000 tons of rice, compared to 1,273,000 tons of wheat and 405,900 tons of rice in previous year. New Delhi to State 2937 dated April 17, 1965.

April 8

Sundara Rajan (Economic Minister in Washington) notifies State (Sober), Agriculture (Eskildsen) and AID (Gabbert) of formal GOI request.

April 26

Sundara Rajan transmits Aide Memoire to Department of Agriculture requesting relief from requirement that GOI pay in U. S. dollars for major portion of freight costs. Reply negative.

May 8

Cable sent to Delhi, with Mr. McGeorge Bundy's clearance, authorizing Ambassador Bowles to inform Shastri that we recognize India's requirement for continuing PL 480 and were thinking "in terms of a program adequate for India's urgent needs" (Deptel 2350). The Embassy replied that it had conveyed the sense of our message to Diaz, who in turn had passed it on to Mr. Subramaniam, the Minister of Food and Agriculture.

May/June

Sundara Rajan and/or Guhan made frequent calls on Farr, Sober, Rees, Furst to press for agreement on best possible terms. Calls were at least once a week to Farr and at least twice a week to Sober and Furst.

May 17

Sundara Rajan and Guhan called on Dept. of State (Handley) to solicit early agreement. Said early agreement necessary

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to enable Indians to maintain wheat pipeline which would run dry by the end of July with potential serious impact on GOI efforts to stabilize prices.
State 2427 to New Delhi - May 18, 1965.

May 24

Sundara Rajan called on Deputy Administrator Gaud to solicit early conclusion of sales agreement, to press for two-year agreement and for delivery of full seven million tons requested by GOI, and to seek relief on projected hardening of sales terms, particularly as regards payment on freight. Mr. Gaud held out little hope as regards duration of agreement and amount of wheat. Mr. Gaud (and Furst) indicated discussions on terms still going on within Executive Branch, and noted that shortage of time remaining was problem. Sundara Rajan hoped for best possible terms but getting agreement signed on time was priority objective.

June 7

Sundara Rajan called on Mr. Solomon to emphasize the urgent need for a new agreement so that the wheat pipeline does not run dry.

About June 14

Sundara Rajan telephoned Mr. Handley from airport, prior to departure for London and New Delhi, to press same point as to Mr. Solomon.

June 18

Guhan's most recent telephone conversation with Sober, stressing urgency of reaching agreement.

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June 18

Guhan telephoned Furst to report that New Delhi dissatisfied with progress on PL 480 agreement and was instructing Ambassador, then absent, to make representations, particularly about freight problem. Furst referred to previous conversations^h which we had explained that requirement for GOI to pay some of PL 480 freight in dollars could only be considered in context of overall Indian foreign exchange situation and was one of numerous factors taken into account in fixing level of non-project aid. Also noted that we were still waiting for balance of payments and trade projections requested in Paris and promised for end May, without which difficult to consider freight problem further.

June 21

Guhan telephones Furst to say that ^{he} would like to discuss freight question with Farr on June 23, in preparation for meeting to be sought by Ambassador Nehru with Administrator Bell.

June 21 **Indian Food Secretary Dias called our chage in New Delhi to ask the status of the new agreement. Expressed apprehension lest delay beyond 30 June curtail wheat shipments after completion of the current agreement.**

June 25 **Guhan called Sober again, saying he had just been on the phone with New Delhi and was under instructions to inquire about the PL 480 agreement and express New Delhi's concern over delay.**

June 30 **Ambassador Nehru has an appointment with Bell, ostensibly to discuss freight problem but undoubtedly also to express concern over delay Indian embassy has been in almost daily touch with AID working level**

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RWK MEMOS TO THE PRESIDENT AND MR. BUNDY ON
EXPIRATION OF PL 480 AGREEMENT W/INDIA

(April 30 - June 17, 1965)

- April 30 - McGB Memo to President (HHS draft) - "...we would reserve for your specific approval ... (d) new PL 480 agreements in both countries."
- May 28 - To McGB - "...we face two other India-Pak aid problems, which we haven't dared send up to the President yet: ... (2) We have to negotiate a new PL 480 agreement for India in June. The present one expires 30 June and the pipeline will begin running out in July unless the Indians can replace new orders mid-June. Meanwhile, there are a lot of technical details to be ironed out here and then negotiating with the Indians. We have told State and AID not to ask the President's approval until they have taken comprehensive Congressional soundings. They'll finish that process and be in with their request for go-ahead late next week. ... Indian PL 480 is more urgent, since we really have to get going now to keep the food moving."
- May 30 - To McGB - "III. Make India come to us. ... (2) Negotiate only a 6-month or one year interim PL 480 agreement this June."
"Put India on notice that our contribution to the Fourth Plan (PL 480 as well as AID money) will depend on a much more vigorous Indian self-help effort in certain fields."
- June 9 - To McGB - Memo for Record/Presidential Decisions taken at 6/9/65 Meeting (This went out as McGB Memo to SecState/SecDef/AID) requesting "early recommendations on (a) a new PL 480 agreement w/India."
- June 8 - To President - Issues for Decision: "D. The Indian PL 480 agreement also expires 30 June and the pipeline will begin running out this July. To forestall hoarding and then hunger in India, we need approval to make a new one-year agreement."
- June 9 - To President - Forwarding Bell/Mann memo recommending action: "... (b) give only a one-year PL 480 agreement."

June 17

To President - "State and AID have been pushing for your OK on a new PL 480 agreement with India. . . the urgency is that if we stall much longer there will be an interruption in shipments which could cause speculation, hoarding and price rises (that might be laid at our doorstep). . ."

Mr. Homer
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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE ADMINISTRATOR

June 16, 1965

MEMORANDUM FOR: The Honorable McGeorge Bundy
Special Assistant to the President
The White House

Attached is a memorandum to the President on the new India PL 480 Agreement. We are under the gun on timing of this Agreement and I would appreciate anything you could do to get a decision for us. Messrs. Mann, Solomon and Talbot are all in agreement with this recommendation.



William S. Gaud
Deputy Administrator

Attachment:
As stated

JUN 16 1965

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

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JUN 16 1965

OFFICE OF
THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

As you know, we have been considering with the Government of India a new PL 480, Title I, Sales Agreement to continue deliveries of wheat and rice. The Government of India has requested a two-year agreement for FY 1966 and FY 1967 providing 7 million tons of wheat and 300,000 tons of rice each year plus smaller amounts of nonfat milk and tobacco.

After thorough consideration within the Administration and with appropriate Congressional leaders, agreement has been reached, subject to your concurrence, that we should offer to negotiate at this time a new sale for only one additional year. This more limited period is consistent with our desire to push the Indians hard towards placing more emphasis on agriculture and adopting better agricultural policies.

It is proposed that this new agreement provide 6 million tons of wheat and 225,000 tons of rice, costing about \$390 million in all. These are the minimum quantities needed to fulfill India's requirements. Since India's own wheat and rice crops are about 11 million tons and 37 million tons respectively, PL 480 food grains represent about 8 percent of Indian food supplies - the margin of survival for millions of Indians.

As a result of a new provision added to PL 480 last year, the Indians will have to pay some \$40 million in U.S. currency for their share of freight costs on U.S. vessels. Last year the Indians made this payment in rupees. This change is of direct balance of payments benefit to the U.S., but will cause a significant strain on India's foreign exchange reserves which are under considerable pressure and have fallen to a very low level.

The agreement's other provisions are standard with one exception: Loans of local currency to the Government of India would be at interest rates like those for Development Loans - 1 percent during the first 10 years and 2 1/2 percent for the remaining 30 years. This is higher than the interest rate previously charged India for local currency loans (3/4 percent), but lower than the new standard (U.S. Treasury bond rate) established by last year's legislation.

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Authority AID Guidelines 10-16-95

By JK, NARA, Date 3-30-01

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Our proposal has been specifically checked out with Congressional leadership in the Agriculture committees as required by the law and is acceptable to them. This rate for India will be lower than the rate for some other countries, but the terms of the proposed sales agreement are much harder than the terms of any previous PL 480 agreement with India. The lower interest rate is very much in the U.S. interest because U.S. owned rupees are already accumulating at an alarming rate.

There is urgent need to open negotiations on this new agreement. Final shipments from the present agreement, signed in September, 1964, will be loaded by early August. Any delay in opening negotiations would lead to an interruption in shipments. This in turn could lead to instability in Indian food availabilities with resulting speculation, hoarding, price fluctuations and, inevitably, political repercussions. We wish, therefore, to authorize our Embassy in New Delhi to open negotiations on this agreement next week.

Accordingly, with your concurrence, we would like to proceed with negotiations as indicated above.

David E. Bell
David E. Bell

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE ADMINISTRATOR

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William S. Gaud
Deputy Administrator

Attachment:
As stated

RWK:

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are stalling that
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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

JUN 16 1965

OFFICE OF
THE ADMINISTRATOR

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Authority State 8-11-76
By JCR, NARA, Date 3-29-04

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David E. Bell
David E. Bell

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON 25, D. C.

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OFFICE OF
THE ADMINISTRATOR


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MEMORANDUM FOR: The Honorable McGeorge Bundy
Special Assistant to the President
for National Security Affairs
The White House

SUBJECT: Construction of a Fertilizer Plant in India
on a Cooperative Basis

Mr. Howard A. Cowden, President of the International Cooperative Development Association, sent copies of his letter to the President dated April 16, concerning the possibility of constructing a fertilizer plant in India on a cooperative basis, to a number of high officials including Vice President Humphrey, Governor Harriman, and Administrator Bell. We replied to that letter on May 7, copy attached, and received an acknowledgement from the International Cooperative Development Association dated May 12 (copy also attached). We have sent the attached acknowledgement to Mr. Cowden in response to his telegram to the President drawing his attention to the earlier correspondence.


Donald S. Brown
Executive Secretary

Attachments

JUN 4 1965