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GENERAL SERVICES ADMINISTRATION

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44

2

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FOR THE PRESIDENT ONLY

SUMMARY NOTES OF 562nd NSC MEETING
July 19, 1966; 11:45 A.M. to 12:45 P.M.

The World Food Problem

The President: This discussion on the current world food problem was called because: 1. The war on hunger is as important as any national security problem we face; 2. The size and urgency of the problem requires us to move rapidly to organize a worldwide attack on hunger; and 3. U.S. public opinion polls show a resistance to our assisting foreign countries in the fields of health, welfare, education, and food.

Secretary Rusk: The Development Assistance Committee is meeting in Washington this week. We plan to alert those who are assisting foreign countries to the urgency of the food problem. Up to now, the food producing countries have been looked to to solve the serious world food problem. However, the fight on hunger must include nations other than the food producing nations. We must work out a combination of means to fight hunger. We are disappointed in what the developing states have done to increase their food production. We have also been disappointed by what the donor states in DAC have done in providing food aid.

AID Director Bell: Summarized the AID paper (copy attached). He used the charts attached to the paper to illustrate the magnitude of the problem and to emphasize that an agricultural program must be integrated into the national economy of every developing country.

Secretary Freeman: India is doing what it said it would do in improving seed, developing water resources, and increasing the use and production of fertilizer. Famine is not likely now in India but we must get tough with the Indians to ensure that they achieve a five percent agricultural growth rate.

As to U. S. domestic production, we should return additional U.S. acreage to food production. We need enough food to ensure that famine will not occur in the future. The Indians have lived up to their commitments and we must live up to ours. (Secretary Freeman's paper and tables referred to are attached.)

The Vice President: We should increase the amount of wheat carried over into the next year in order to block the speculators and to use it as a means of holding down inflation.

Secretary Freeman: A final decision on the increase in U.S. acreage must be taken no later than Labor Day.

The President: Every official taking part in the Development Assistance Committee meeting this week (the Vice President, Secretary Rusk, Secretary Freeman, Ambassador Bell) should make clear that the United States is deadly serious about a worldwide effort to fight hunger and that it is in the interests of all advanced countries to help to the fullest extent that they can.

Secretary Rusk should prepare plans for a State-AID-Agriculture-BOB effort to prepare studies and recommendations as to the next steps to be taken in the war on hunger.

A major objective of this Administration is the export of food, health, and education. Top priority must be given to getting Congress to authorize adequate resources for this purpose.

Secretary Fowler: The export of U. S. goods and services is desirable if it is done in such ways as to avoid displacing commercial markets. The export of cash is not. We must get on a burden-sharing basis with other countries because of the effect on our balance of payments position of the movement abroad of U. S. resources. We must insist that international organizations find ways to transfer abroad our resources with the least effect on our balance of payments.

Bromley Smith

3

THE WORLD FOOD PROBLEM

Discussion Paper for NSC Meeting on July 19, 1966

I. Background

A. Indicators of the Problem

1. About three in five of the world's people are chronically underfed. Diet deficit areas include all of Asia, except Japan and Israel; almost all of Central America and the Caribbean; all Africa but the southern tip, and all South America except the three southern countries. Average consumption in these countries stands substantially below 2,400 calories per day and 60 grams of total protein, the United Nations' minimum standard.

Of the 700 million children under 14 years of age in the free world LDC's; over two-thirds are malnourished. More than half the deaths in LDC's are among pre-school children -- a mortality rate 60 times that in developed regions. In Ecuador, the number of children who die of measles each year is 325 times that in the U.S., because of chronic malnourishment. In Libya, a mother must have five children to have a good chance that one will live to 15 years. In Vietnam, 40 percent of the children die of disease by the age of four.

2. After a decade of gradual progress in LDC food supplies per capita, further progress stopped in the late 50's, and even turned down for a large part of the LDC population. Between 1961 and 1964, dependence on concessional grain imports increased by 17 percent. Despite U.S. food aid amounting to $1.6 billion per year, consumption per capita barely stayed level in some LDC's, and in others even slipped.

B. Some Costs

1. For the U.S., hunger is the greatest single problem in the developing world.

-- As humanitarians we cannot stand by amid increasing misery.

-- Food shortages can lead to sudden crises of confidence in peaceful change, to violence, to political instability, and to receptivity to ideological panaceas.

-- Hunger has become a focus of deep concern in the United Nations where the small number of rich North Americans and Western Europeans are frequently belabored by the poor countries of Asia, Africa, and Latin America.

-- The failure of the LDC's to increase their production and thus reduce their dependence on gifts or concessional sales, deeply affects our own domestic policies. The food needs of India have already caused us to call for more wheat land to be put under cultivation, and to increase the real resources the nation is currently devoting to raising food. This means that the flow of American resources devoted to aid will increase, even if the added appropriations show up under Agriculture rather than AID.

2. For the LDC's, domestic food supply is both insufficient and precarious. The immediate effects are bad nutrition and ill-health. Further, output in the food sector is not growing fast enough. This means that scarce foreign exchange must be used for food imports and that the agricultural sector is not able to constitute a market for the products of other sectors, or to increase its own income and savings.

Further, because of the size of the agricultural sector (50 to 80 percent of the population), and its potential as a source of domestic savings, its performance is crucial in determining the pace of economic development.

II. What is Being Done

The U.S. and other nations have been supporting the efforts of the LDC's in three ways -- (1) helping LDC's to increase food production; (2) assisting programs to control population; and (3) making food shipments to the LDC's.

A. Food Production

The U.S., other aid-giving western countries, and the multilateral agencies committed more than $1.5 billion to programs to improve local agricultural development during 1962-1964. The U.S. provided about one-third of this economic assistance to agriculture while the World Bank family provided about one-fifth. During 1964, there were 7,500 people from western countries providing technical assistance to agriculture in the LDC's. The U.S. provided about 15 percent of these people while the FAO provided about 30 percent.

Taken together, the Soviet Union, Eastern Europe and Communist China committed an annual average of something over $100 million in recent years. They had over 3,000 technicians in the field in 1964-1965.

During the coming fiscal year, AID proposes to increase its investment in agriculture by nearly one-third over fiscal year 1966 and by more than half over fiscal year 1965, to a total of $512 million. These funds will mobilize greater U.S. technology and resources by financing fertilizer imports from the U.S., transferring American farming techniques and equipment to the developing countries, constructing fertilizer plants, establishing more extension services, cooperatives, and credit facilities, and financing research for better and more nutritious crops. Country performance in developing food resources will be a priority self-help condition for AID assistance.

In concert with these efforts, the President has proposed a new Food for Freedom program, which will be closely integrated with U.S. economic assistance efforts. The new program proposes increased food aid shipments to fill the food gap while local output is being expanded. Part of the local currency generated under food sales will be re-invested in country agricultural development and food processing industries. The food supplied in many cases will be used as part wages in rural development programs to promote self-help. In determinations of food aid, emphasis will be given to each country's efforts to develop its own food capabilities -- either through agricultural development or improved capacity to buy in world markets.

B. Population Control

The U.S. is responding positively to requests for advisory services, teaching materials, training, transport and equipment -- for any useful assistance except providing AID funds for the supply of contraceptives. For example, AID has provided support for health and family planning clinics in South Korea and Taiwan; jeeps for family planning workers in Turkey; technical assistance and other support for family planning in Pakistan, Honduras, and Tunisia. Other countries, notably the United Kingdom and Sweden, are also conducting family planning programs in a number of LDC's.

C. Food Shipments

The value of U.S. food aid going to LDC's now runs roughly at the level of $1.5 billion annually. Only a few other countries have regular food assistance programs although a number are making special

contributions to India. The next largest food donor is Canada, whose commitments are now about $66 million of grant food for the current fiscal year.

For 1966 through 1968, effective pledges to date to the international World Food Program are $154 million, of which the U.S. share is $74 million. The commodity component of the U.S. contribution is about $50 million; this is matched by commodity pledges from other countries.

III. Current Prospects for the Short Term (FY 1967 and FY 1968) and Implications for U.S. Policy

A. Short Term Prospects

1. Despite the efforts described above, and assuming normal crops, there will be no radical shift for the better in the basic shape of the world food problem over the next two years. Population growth in the LDC's will continue at least to match food production, and people in the LDC's will continue to live under low nutritional standards.

2. On the food shipment side, the situation will bear close watching to ensure that the LDC food position does not actually deteriorate further.

(a) For FY 1967, there is already a shortfall of 6.8 million tons between estimated LDC requirements for concessional U.S. wheat (18.0 million tons) and our availabilities (11.2 million tons). We plan to meet this shortfall by supplying on a concessional basis such substitutes as corn and sorghum, and by encouraging other suppliers (e.g. France, Canada, and possibly Australia) to supply concessional wheat to the LDC's. To the extent that the minimum requirements of the LDC's are not filled by concessional sales or donations, there are two alternatives. Either the nutritional standard sinks lower, or LDC's have to divert scarce foreign exchange from development purposes to food purchases. In either case, economic growth in the LDC's will be slowed.

(b) As for FY 1968, even though we have expanded the acreage allotment and are shooting for a wheat crop next summer of 42 million tons, the situation is not secure:

-- Continued adverse weather conditions in the U.S. could reduce the crop substantially below the 42 million ton projection.

-- A poor crop year in the Soviet Union comparable to 1963 and 1965 could reduce overall world wheat availabilities by 10 million tons.

-- Another poor monsoon in India could push Indian concessional import needs above the 8 million tons now included in our estimates.

B. Implications for U.S. Policy

1. There is little more we can do about the wheat situation for FY 1967 -- except to encourage the LDC's to accept U.S. concessional substitutes such as corn and sorghum, to urge other donor nations to meet the balance of the shortfall by additional concessional resource transfers, and to make sure that our own distributions go where they are needed most. In both economic and political situations, where the specific need for food is not well established, we should consider substituting other forms of aid.

2. As for FY 1968, we should consider taking out insurance against the possible world catastrophe of poor U.S., Soviet, and Indian harvests next year. Assuming that such action makes sense domestically, one way to do the job would be to announce later this month a further increase in the wheat acreage allotment. Such action could presumably be used to spur other DAC members to be more forthcoming about providing concessional aid to the LDC's during FY 1967 and FY 1968.

IV. Current Prospects for the Long Term (now to 1985) and Implications for U.S. Policy

A. Long-Term Prospects

While the present prospects for the long-term need not be hopeless, they are certainly not now very bright.

1. Food output in the LDC's is rising -- but not as fast as food demand. With populations increasing at a rate of $2\frac{1}{2}$ - 3 percent a year, food output per person has barely been able to keep pace, and in some countries it has actually declined. Moreover, food demand is

rising because personal incomes are increasing for many in the LDC's. People who have long lived on subsistence diets are spending their added income on more and better quality food.

2. While the following numbers clearly have a margin of error -- if food output continues to increase at the present rate, if population grows at the rate projected by the UN, and if there is only a modest increase in food consumption over present minimum levels -- then the present food deficit of 18 million tons will grow to 42 million tons by 1975 and to 88 million tons by 1985. 42 million tons is larger than the entire current U.S. wheat crop and 88 million tons would exceed by 12 million tons, total U.S. production capacity even if all reserve acres were brought back into production and if there were continuing technological improvements.

3. At the same time, the U.S. supply situation is changing radically. We are fast running out of surplus grains and are just now reaching the stage when we must deliberately expand acreage for the production of food for aid.

B. Implications for U.S. Policy

1. At the outset, it might be well to indicate what we cannot do and, at the same time, solve the long-term food problem.

(a) We cannot taper off food aid and let the LDC's subsist on what they can produce, on what they can get concessionally from others, and/or on what they can buy commercially.

-- The LDC's would not be able to get concessional help from others, who are likely to act favorably in this area only if we act.

-- The LDC's would have to spend a cripplingly large part of their scarce foreign exchange resources on essential food imports. This would drastically undermine and in some cases reverse their current rate of development.

-- The LDC's would suffer severe food shortages with accompanying malnutrition, misery, and violence.

(b) We cannot fill the widening gap entirely through food aid from the U.S.

-- Even with a maximum contribution from other donors, by 1975, the U.S., through expanded food production, would have to increase its food aid program from the present level of about $1.5 billion to over $3 billion annually. Most importantly, by 1985, even this effort would probably not be sufficient to meet the world's demand for food.

-- An almost impossible increase in shipping, port, and food distribution capacity would be required.

-- The progress of the LDC's toward self-support would be undermined. LDC's would become desperately dependent on food aid, a situation which would put an intolerable moral responsibility on supplier nations.

2. About the only thing we can do is to use our food and other economic assistance to stimulate an increase in food production within the LDC's themselves. Hopefully, this approach, which would require an increase in technical and capital assistance and a temporary increase in food aid, would ultimately result in a decline in LDC dependence on handouts, a more rapid rate of economic growth, an increase in U.S. commercial exports and an assurance of an adequate long-run food supply for mankind.

3. The task before us is enormously complicated and important. To do something about it, we must focus our efforts in at least four areas:

(a) First, we must try harder to get increased food production from the LDC's. By and large, the increase will have to come from improved yields on existing farms; involve far-reaching policy changes by the LDC's; and require large inputs of resources from the developed countries. While the needs vary widely from LDC to LDC, a number of bottlenecks, common to almost all of them, will have to be addressed more energetically.

-- Something will have to be done to give the farmers more incentives to produce -- e.g., favorable and economically sound price relationships; protection from disasters and other sources of uncertainty; favorable land tenure systems. These policy changes are not necessarily expensive in money terms. The principal requirements are analysis, persuasion, good will and time. Willingness to undertake these hard, but necessary, policy reforms must be a prime condition of both non-food and food aid.

-- Something will have to be done to strengthen the institutional framework -- e.g., research facilities; farm credit institutions; education and extension services; and distribution facilities. The creation of these institutions is the job of the poor countries themselves, but they cannot do the job without large amounts of technical advice and economic assistance. The U.S. and other developed free world nations will have to increase substantially the numbers of agricultural technicians presently serving in the LDC's.

-- Substantially more external funds will have to be provided to make more of the necessary materials available to the LDC's -- e.g., improved seed; fertilizer; pesticides; earth-moving machinery for the construction of farm-to-market roads and irrigation works; materials and equipment for the construction of fertilizer factories and storage facilities. A key to this effort, when combined with adequate water, suitable seed and improved practices, is fertilizer. $1 million of fertilizer can yield enough grain to feed 200,000 people for a year; $1 million of wheat will feed only 70,000 people for a year.

Most importantly, as we look at the food production aspect of the food problem, we will have to be careful not to look at it in isolation. While it is evident that virtually every LDC can and should grow more food than it now does, it is equally clear that every LDC need not be self-sufficient in food. Each must build the capacity to provide for itself either through domestic production or commercial purchases on the world market; and each must make its decision on the proper balance between domestic and foreign supplies in the light of total resources and comparative advantage. Our assistance, in whatever form, will have to be used across the board -- to support good policies and to influence governments to change bad policies, as well as to increase resources. Just as the problem of development must be solved as a whole, we must use all of our influence and assistance together.

(b) Second, we must try harder in the area of population control.

-- We should respond effectively to requests for assistance in this area and to stimulate them when this can be done without seeming to impose population control. Our support is required in the form of advice, training and logistic facilities; vehicles are most important. (At least judging from the House version of the Food for Freedom bill, which mentions population control in a number of different places, the Congress may want to push us even further in the area of population control.)

-- We should encourage major self-help efforts by the LDC's themselves -- widespread educational campaigns; the creation of a network of clinics and health centers.

(c) Third, we must be prepared to supply increased amounts of food aid for the following purposes:

-- To avoid severe hunger and malnutrition in the LDC's.

-- To buy time for LDC's to modernize their agriculture.

-- To free foreign exchange for the purchase of imports which are required for capital formation. This capital is needed, in part, to increase agricultural production in the less developed countries.

-- To secure the necessary policy reform and reallocation of LDC resources. Food aid as a negotiating tool by itself is restricted by basic humanitarian considerations which make the threat of withholding it less real than the threat of withholding dollar aid. However, if food and dollar aid are carefully tied together in an integrated development package, we can probably get considerably more negotiating mileage from it than we can get from the dollar portion alone. This will be especially true if the new Food for Freedom legislation is passed; it will become even more evident to the LDC's that we propose to ultimately treat food aid like development loans for non-food commodities (i.e., after a transition period there would be no more sales for local currency).

(d) Fourth, we must use our own increased efforts in the above three areas as a spur to get other developed countries to do their fair share. In this regard, we should:

-- Take every opportunity, at the DAC High Level Meeting in Washington on July 20-21, and at subsequent international meetings, to emphasize the importance which the U.S. attaches to this problem and the need for richer nations to work together and to make available additional resources. In this connection we

should view the problem broadly so that each potential donor nation can make a contribution, if not in food aid then in fertilizer, technical assistance or other ways.

-- Propose an intensive and concerted examination by developed countries of how best to carry out an expanded collective development effort with emphasis on agriculture, calling upon all concerned governments and international organizations to assist in the task. In this regard, we should not preclude an increase in our own overall aid effort. This could come about, of course, only upon a clear showing of need, of self-help efforts on the part of recipients, and of a willingness on the part of other developed countries to do their fair share.

Approved by: D G Bell

Date: JUL 15 1966

4

7/19/66

Review of the World Food Situation
and the U.S. Supply Position

(Statement before the NSC by the Secretary of Agriculture)

The world food situation has changed dramatically over the past 5 years, taking an ominous turn. The failure to arrest and reverse the increasingly adverse food-population trends in the developing countries is fraught with danger.

This ominous turn of events abroad is directly reflected in changes occurring here in the United States. Until quite recently we had in this country the world's two major reserves in the race between food and people. These were (1) the vast quantities of grain we had in storage and (2) the large areas of cropland idled under our farm programs.

In 1961 the United States had a carryover of 115 million tons of grain -- 77 million tons of feedgrains and 38 million tons of wheat. Today we have only 61 million tons -- 46 million metric tons of coarse grains and 15 million tons of wheat. The 55 million tons of excess grain carryover has vanished completely.

As recently as last year we had 56 million acres of cropland diverted to conservation uses. Recent actions taken to increase acreage of wheat, rice and soybeans, plus a further increase in wheat acreage now under consideration, will bring nearly one-third of this idled cropland back into production this year. Thus within the past

5 years, one of these two strategic reserves has disappeared and the other is now being sharply reduced.

Trends in worldwide reserves closely parallel those of the United States. Cereals, principally wheat and rice, make up the bulk of diets among the 2 billion people living in the food short developing countries. Five years ago the world carryover of wheat was 59 million metric tons. As of 1966, wheat carryover is only 30 million tons, and is projected to be even lower at this time next year. Rice carryover in the major exporting countries totaling 1.8 million metric tons in 1955, or about one third the level of world exports, has now disappeared almost entirely.

During the five year period in which these changes have occurred world population has increased by 315 million. Fully four fifths of the 315 million have been added in the less developed countries.

There are 3 basic benchmarks to which the rate of increase in food production can be usefully related. These are (1) the rate of increase needed to keep pace with population growth, (2) the rate of increase needed to attain target rates of economic growth while maintaining stable prices and, (3) the rate needed to eliminate the serious malnutrition common to most of the developing countries. By all three criteria, the rate of increase has been decidedly inadequate. As matters now stand we are "losing the war on hunger".

Thirty years ago the less developed regions of Asia, Africa and Latin America were exporting 11 million tons of grain yearly to the developed countries, principally Western Europe. During the war decade of the 1940's that flow was reversed. This year more than 30 million tons will move from the "have" to the "have not" regions of the world.

The net grain trade position of the less developed world has changed by 41 million tons. Even so, effective internal demand for food in the developing countries far exceeds the available supply even with the current massive imports. India, Brazil, Indonesia, the UAR and Pakistan are all experiencing sharp rises in food prices. These sharply rising prices are forcing reductions in development expenditures, thus reducing rates of economic growth.

It is clear that sharp and decisive action must be taken to mobilize resources if famine is to be avoided in the densely populated developing countries. In an age characterized by rising aspirations, famine conditions will not be tolerated for long.

Last December this Council issued a memorandum stating that we should make every effort to avoid the famine then pending in India. As a result of the actions we have taken combined with the response of many other countries it now appears we will avoid famine in India this year. This costly effort, requiring nearly one-fourth of our wheat crop and nearly a billion dollars worth of food in total, represents the largest rescue effort ever mounted. There is a limit to the number of times we can repeat this performance without endangering our own internal reserves.

The strategy to win the war on hunger must be developed in light of both short and long term considerations; national and international implications, and economic and political considerations. Economic and political stability are more dependent on an adequate supply of food than any other single factor.

Strategically we must plan for a more acceptable balance between food and people -- one designed to achieve: (1) minimum nutritional standards and (2) sustain an acceptable minimum rate of economic growth. Over the next few years this will require significant quantities of food if famine is to be averted during the period in which the LDC's arrest and reverse recent trends, gradually reducing their dependence on concessional food imports.

The minimum amounts of food necessary will depend on three things: (1) how fast population control advances, (2) how fast food production increases, and (3) weather. Regardless of how effective population control efforts are, attaining the desired targets by 1975 will require a rate of agricultural growth in the LDC's of at least $4\frac{1}{2}$ percent per year. To meet this target will require greatly increased effort by the LDC's and a significant increase in the production of agricultural inputs within the developing countries.

Tactically we must be more alert to the use of U.S. food power to reach short term objectives. The ability to deny or make available food to countries in short supply may well be the decisive factor in shaping the policies of countries in question. Egypt is currently heavily

dependent on U.S. concessional food shipments. Both India and Pakistan are being influenced in their policy formulation by the grim fact that the United States is, for all practical purposes, the only source of supply.

Our sharply reduced wheat crop dictates a fairly tight rein on PL 480 programming for this year and an expansion of production in 1967. Wheat is in shorter supply this year than we had hoped (table 1). The carryover on July 1, 1966 was 280 million bushels less than a year earlier. The crop, reduced by drought, is now estimated 150 million bushels below the prospects of 3 months ago and almost 90 million bushels below last year's crop.

At this time, we cannot prudently make available for PL 480 more than 413 million bushels. This is 130 million bushels less than was shipped last year and certainly is less than the recipient countries could use if wheat were more abundant. However, essential food needs will be met by supplementing wheat with feedgrains which are in better supply. This was accomplished successfully in India last year.

Even with a lower level of PL 480 programming, the carryover on July 1, 1967 will be further reduced to about 388 million bushels. This is slightly below the minimum level of 400 million bushels which is considered a safeguard for pipeline stocks and the possibility of poor weather again next year. Nor does it give flexibility for meeting exceptional foreign contingencies which might arise.

There have been two occasions in the last 10 years when world wheat trade rose 27-28 percent. If this should happen again, it would be equivalent to a sudden increase in world wheat demand of about 450 million bushels, roughly half the wheat stocks in major exporting countries. Clearly, some of that increased demand would not be met even with large feedgrain substitution.

In the very unlikely contingency that there would be simultaneous severe droughts in the three major importing countries -- India, Mainland China and the Soviet Union -- the wheat needs of these countries could rise as much as 1 billion bushels. This would be equivalent to the total wheat stocks in all the major exporting countries of the world.

This is not to suggest that the U.S. hold stocks for any contingency that may face the world -- friend or foe. But there is a clear need for increasing our own stock level to improve our position to deal with emergency situations that might arise, including the possibility of poor weather here again next year.

Two months ago the President announced a 15 percent increase in our wheat acreage allotment (49 to 57 million acres). The President has asked me to review, in light of recent worldwide developments, the need for still another increase of say 15 percent. The implications of doing this are spelled out in Table 1.

Alternative I in the table projects the likely result under average weather conditions and the allotment as announced. This would bring a record production and enable us to provide PL 480 wheat at

the level of recent years. It would also modestly increase the carryover to the minimum safeguard level. If weather in 1967 should again bring a reduction in yields comparable to this year, we would have the main options of reducing PL 480 programming to this year's level or reducing stocks to 300 million bushels or less or some of both.

Alternative II considers the probable results of doubling the increase in the wheat allotment by an additional 8 million acres or so over Alternative I. Under normal growing conditions, this acreage would allow for an increase in carryover to above 500 million bushel or some further increase in PL 480 programming. Again with weather as poor as this year, we could lose about 140 million bushels from production and thus from ending stocks July 1, 1968 or PL 480 programs.

Because of the turn of events with drought having reduced the current crop much below expectations and with the carryover next summer headed somewhat below minimum safeguard levels, more wheat acreage will be needed than the allotment announced so far. We are now considering how much more, and recommendations will be forthcoming in a few days.

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Table 1.--Wheat: Supply-distribution

	1965-66	1966-67	1967-68 Alternatives	
	Mil. bushels	Mil. bushels	I 1/ Mil. bushels	II 2/ Mil. bushels
Supply				
Beginning carryover July 1	818	540	388	388
Production	1,327	1,240	1,540	1,660
Imports	1	1	1	1
Total supply	2,146	1,781	1,929	2,049
Domestic disappearance				
Food	525	525	530	530
Seed	61	75	75	85
Feed	155	60	80	80
Total domestic	741	660	685	695
Exports				
Dollar exports	280	285	245	245
Barter	40	35	40	40
P.L. 480	545	413	559	559
Total exports	865	733	844	844
Total disappearance	1,606	1,393	1,529	1,539
Ending carryover July 1	540	388	400	510

1/ Assumes the 1967 announced wheat allotment of 59.3 million acres.

2/ Assumes the 1967 wheat allotment is increased another 8 million acres to 67.3 million acres.

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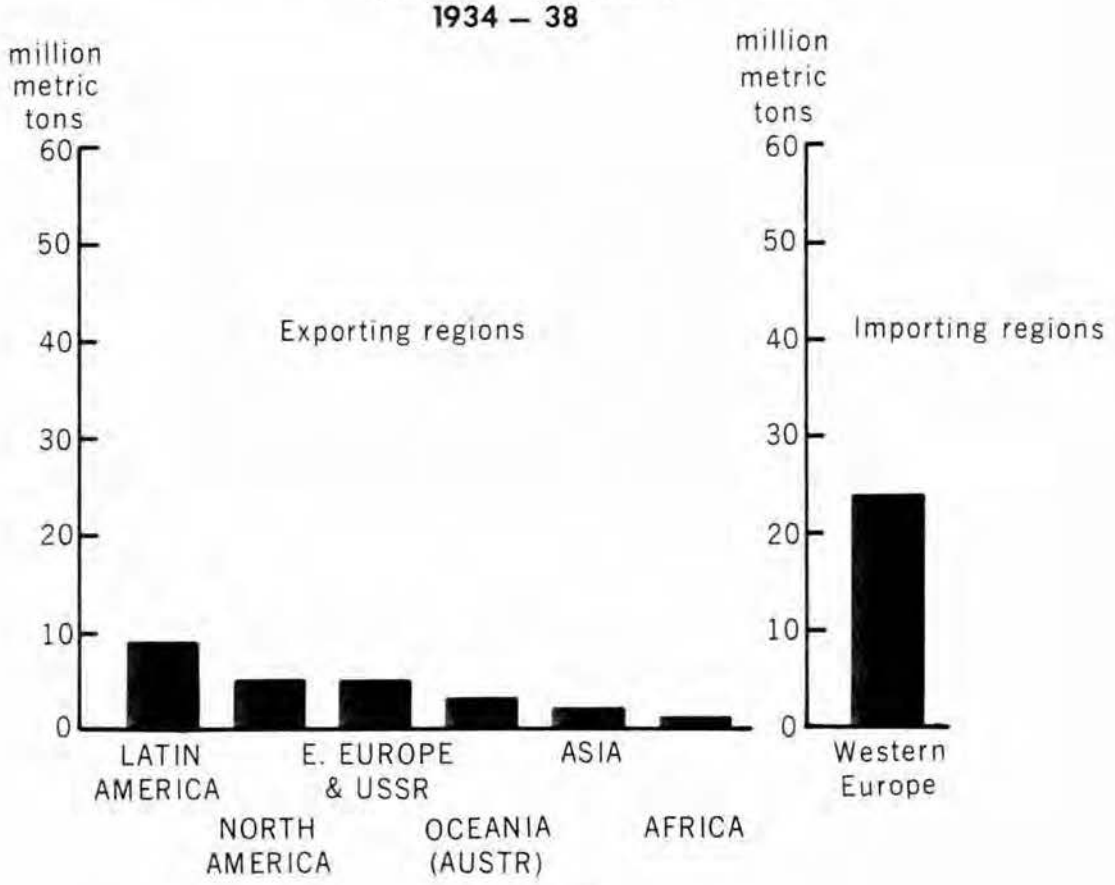
REVIEW OF THE U. S. WHEAT SITUATION

Secretary of Agriculture
Orville L. Freeman

June 1966

THE CHANG_G PATTERN OF WORLD GRAIN TRA
(net trade by regions)

1934 – 38



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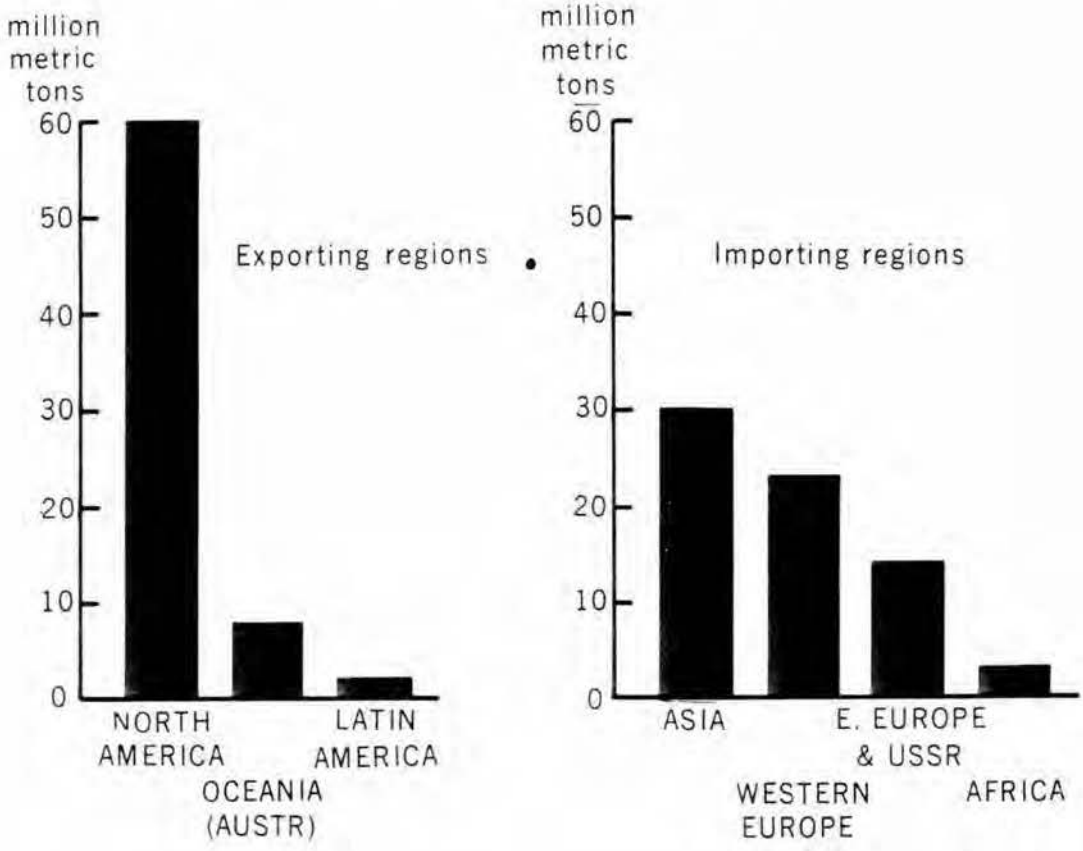


THE CHANGING PATTERN OF WORLD GRAIN TRADE

Over the past 25-30 years the world grain trade pattern has changed dramatically. During the late 1930's the three dominant grain exporting regions were North America, Latin America and Eastern Europe (including the Soviet Union). At that time Latin America was the leading grain exporter.

Latin America, plagued with runaway rates of population growth, has lost its large net export surplus of grain and is today scarcely self sufficient. Imports into Brazil and other smaller countries largely offset exports from Argentina. Eastern Europe, once the breadbasket for all of Europe, now has a large import deficit.

North America, exporting 5 million tons of grain yearly in the late 1930's, is expected to export 60 million tons of grain this year. Even more significant North America could export consistently 100 million tons of grain annually if the world market were large enough. Three basic factors underlie these dramatic changes in the pattern of world grain trade: the agricultural revolution in North America, runaway population growth rates in the developing countries, and the near universal failure of the Socialist (Bloc) countries to develop viable agricultural sectors.

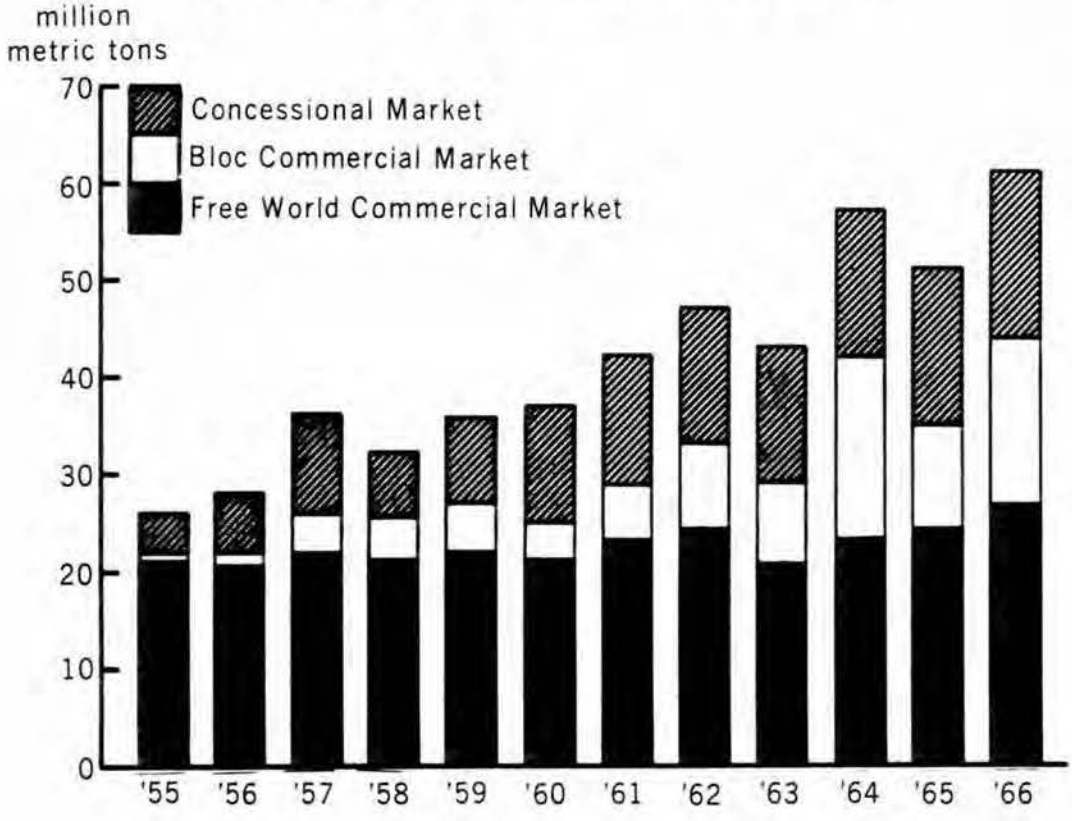
North America today has a near monopoly on the world's exportable supplies of food. The worldwide political implications of this fact ought not to be lost!

World Grain Trade by Major Geographic Regions (net trade)

Region	1934-38	1960	Estimated 1966
	- - - - - - Million metric tons - - - - - -		
North America	+5	+39	+60
Latin America	+9	0	+2
Western Europe	-24	-25	-23
E. Europe (incl. USSR)	+5	0	-14
Africa	+1	-2	-3
Oceania (Austral.)	+3	+6	+8
Asia	+2	-16	-30

Plus = net exports; minus = net imports.

SOURCES OF GROWTH IN WORLD WHEAT TRADE



SOURCES OF GROWTH IN THE WORLD WHEAT MARKET

The world wheat market can, for analytical purposes, be divided into 3 markets. These are the Free World or traditional commercial market, the Bloc commercial market and the concessional market. The Free World commercial market consisting of such traditional wheat importers as the United Kingdom, West Germany and Japan has been remarkably stable over the past 15 years.

The Bloc commercial market, quite small through 1960, began to increase markedly in the early 1960's as Mainland China lost its position as a net grain exporter and became one of the world's leading importers. The Soviet Union, a ranking exporter in the late 1950's and early 1960's, became a large net importer in 1964. Since then it has been the world's leading importer of wheat. In 1964 more than one-third of all the wheat entering world trade channels was imported by Bloc countries on a commercial basis.

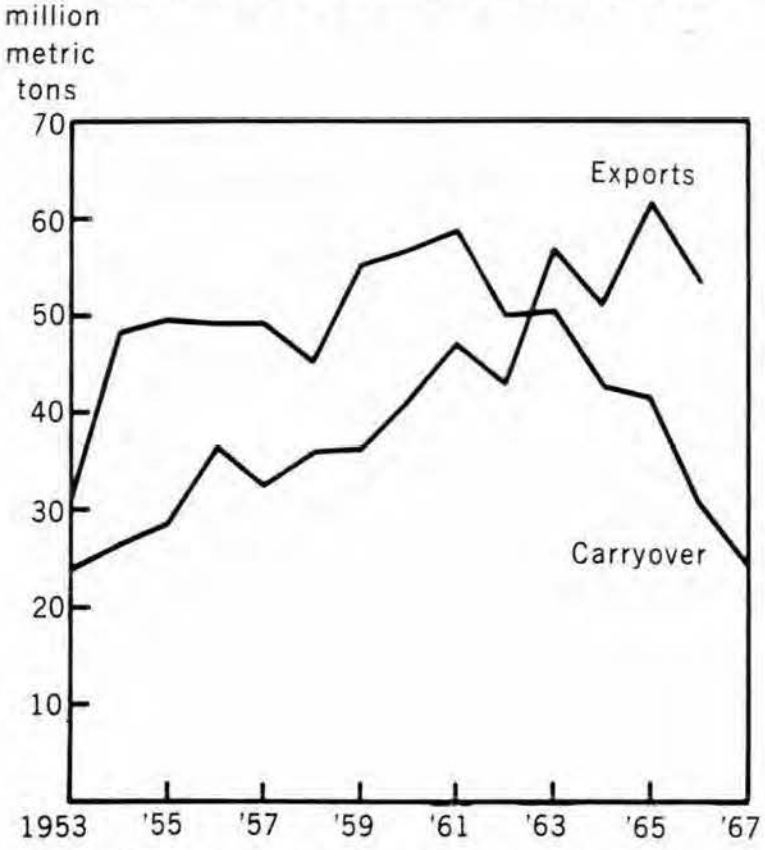
The concessional wheat market, consistently accounting for one-fourth to one-third of all wheat imports is supplied almost entirely by the United States. Two-fifths of the U.S. wheat crop moves abroad under Public Law 480. Virtually all of the growth in the world wheat market over the past 10-15 years is accounted for by the development of the Bloc commercial market and the concessional market.

World wheat and wheat flour exports by market,
1951-52/1965-66

Year	Commercial market		Concessional market	Total
	Free World	Sino-Soviet Bloc 1/		
	Million Metric Tons			
1951-52	24.0	0.6	4.5	29.0
1952-53	24.8	0.9	1.2	26.9
1953-54	20.6	0.5	2.9	23.9
1954-55	21.0	1.1	4.3	26.4
1955-56	20.5	1.3	6.5	28.3
1956-57	21.8	4.1	10.3	36.2
1957-58	20.9	3.9	7.6	32.4
1958-59	22.2	5.0	8.7	36.0
1959-60	21.0	4.7	10.4	36.1
1960-61	23.0	6.1	12.7	41.8
1961-62	24.4	9.2	13.5	47.1
1962-63	20.5	9.0	13.2	42.8
1963-64	23.4	18.9	13.9	56.2
1964-65	23.7	11.7	15.8	51.2
1965-66	26.7	17.8	16.7	61.2

1/ Excludes Poland, Yugoslavia and Cuba, which are in concessional.

WORLD WHEAT CARRYOVER AND EXPORTS*



*Carryover in major exporting countries

DIVERGING TRENDS IN WORLD WHEAT CARRYOVER AND EXPORTS

While carryover stocks in major exporting countries have been declining, falling from a high of 59 million metric tons in 1961 to 31 million tons this year, the level of world wheat exports has been trending sharply upward, more than doubling over the past 10 years. A decade ago the level of carryover reserves was almost double the level of exports. Today they are little more than half as large.

Twice within the past decade, 1957 and again in 1964, world wheat imports jumped by more than one-fourth above those of the preceding year. If a percentage increase of this magnitude should occur again at the present levels of trade, an abrupt increase of 15 million tons (550 million bushels) of exports would be needed. At present low levels of world reserves this would present some serious problems.

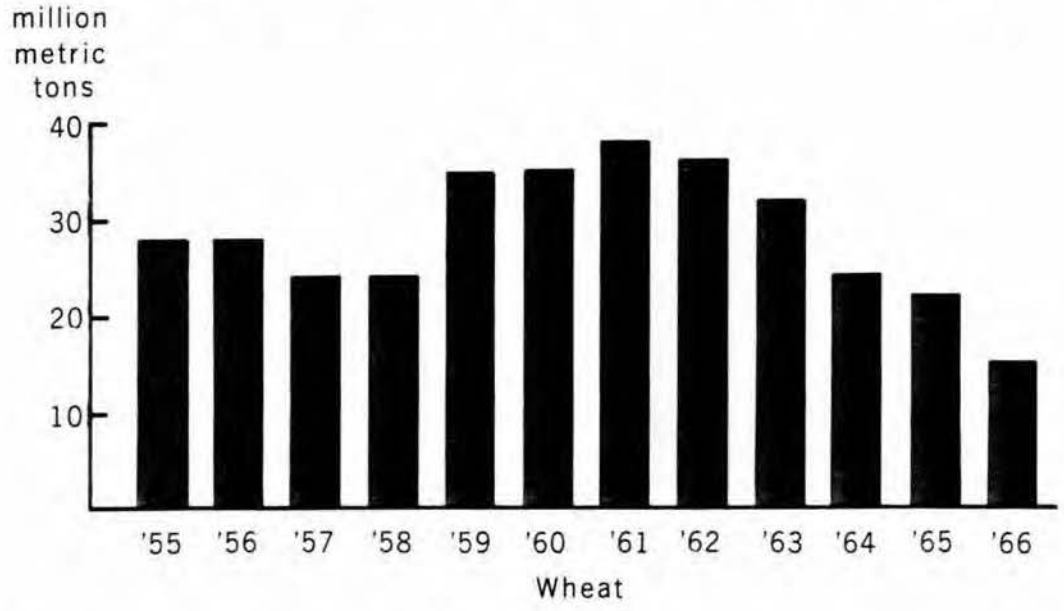
Another factor arguing for a higher level of world wheat reserves is the growing dependence of all the world's importing countries on one region, North America. Crops in both the United States and Canada are influenced by the same weather cycles.

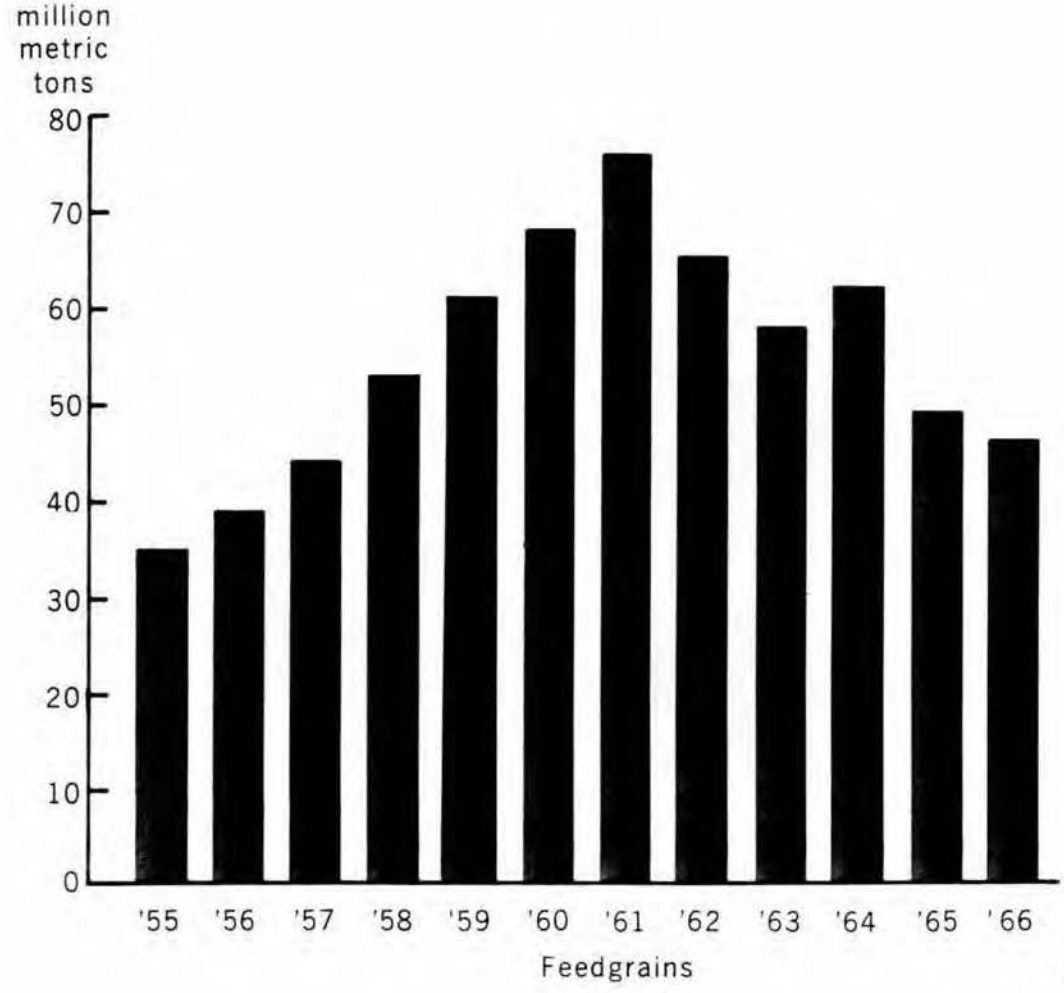
Carryover stocks in major wheat exporting countries and level of world wheat trade, 1953-67

Year	Carryover stocks of wheat in major exporting countries 1/	World wheat exports 2/	Ratio of carryover stocks to exports (Col. 1 ÷ Col. 2)
	Million Metric Tons		Ratio
1953	31.7	23.9	1.33
1954	48.2	26.4	1.83
1955	49.8	28.3	1.76
1956	49.4	36.2	1.36
1957	49.4	32.4	1.52
1958	45.6	36.0	1.27
1959	55.2	36.1	1.53
1960	56.9	41.8	1.36
1961	58.8	47.2	1.25
1962	49.6	42.8	1.16
1963	50.3	56.2	.90
1964	42.2	51.2	.83
1965	42.3	61.2	.69
1966 3/	30.9	53.7	.58
1967 3/	25.2	--	

1/ Carryover stocks measured at beginning of new crop year in each country. Includes United States, Canada, Australia, Argentina and France. 2/ For fiscal year beginning in year shown. 3/ Preliminary.

UNITED STATES: CARRYOVER OF WHEAT AND FEEDGRAINS





TRENDS IN U.S. CARRYOVER OF WHEAT AND FEEDGRAINS

Both wheat and feedgrain carryover are down sharply from the highs reached in 1961. Wheat carryover has been cut by more than half. Feedgrain carryover has been cut by just over a third. Total stocks of wheat and feedgrains combined have dropped from 115 million tons in 1961 to 61 million tons in 1966.

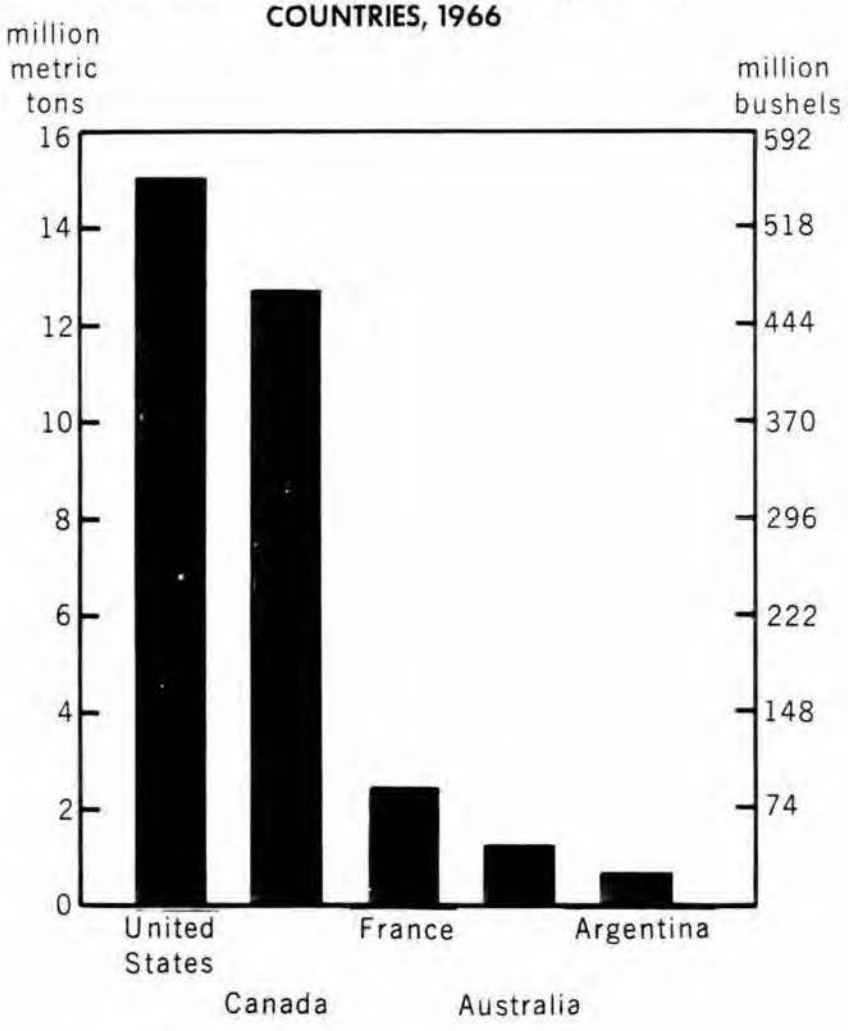
As of 1966 wheat carryover, at 550 million bushels or 15 million tons, is about 10 percent below the desirable level of 600 million bushels. Feedgrain carryover at 51 million short tons is about 10 percent above the desirable level of 45 million tons. Feedgrain carryover presently consists largely of corn and grain sorghum, both of which are consumed as food in each of the major less-developed regions.

U. S. Wheat and Feedgrain Carryover, 1955-66

Year	Wheat	Feedgrains 1/	Total
	Million Metric Tons		
1955	28.2	35.5	63.7
1956	28.1	39.2	67.3
1957	24.7	44.3	69.0
1958	24.0	53.5	77.5
1959	35.2	61.2	96.4
1960	35.8	68.6	104.4
1961	38.4	76.8	115.2
1962	36.0	65.1	101.1
1963	32.5	58.0	90.5
1964	24.5	62.3	86.8
1965	22.3	49.3	71.6
1966	15.1	(46.3)	61.4

1/ Now consists largely of corn and grain sorghum.

WHEAT CARRYOVER IN MAJOR EXPORTING COUNTRIES, 1966



TRENDS IN WORLD WHEAT CARRYOVER

Nearly all of the world's wheat reserves are held by the major exporting countries. Carryover stocks of wheat in these countries reached an alltime high of 59 million tons in 1961. This year they are expected to be down to 31 million tons, scarcely half the level of 5 years ago. At this time next year they are projected to be even lower, likely about 25 million tons.

Most of the drawdown has been concentrated in the United States and, to a lesser extent, Canada. Canada with 13 million tons and France with 2 million now have a combined carryover equal to that of the United States. Carryover stocks in Australia and Argentina are negligible.

Carryover stocks of wheat in major exporting countries, 1953-67 1/

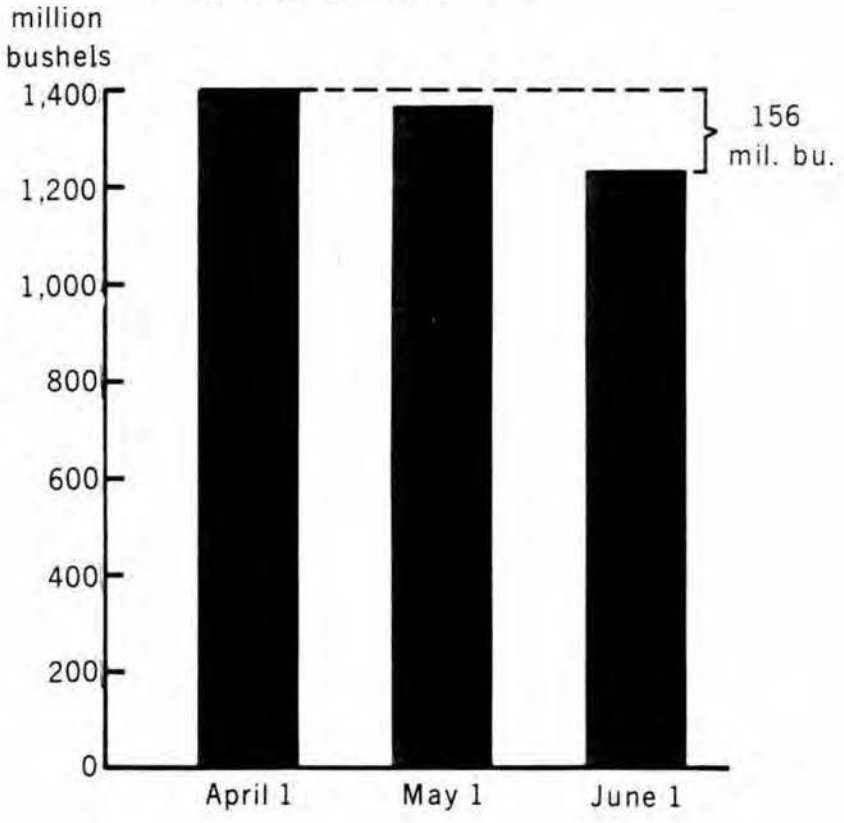
Year	United States	Canada	Australia	Argentina	France	Total
	Million Metric Tons					
1953	16.5	10.4	1.0	2.0	2/ 1.8	31.7
1954	25.4	16.8	2.6	1.6	2/ 1.8	48.2
1955	28.2	14.6	2.6	2.4	2.0	49.8
1956	28.1	15.8	2.4	1.5	1.6	49.4
1957	24.7	20.0	1.2	1.9	1.6	49.4
1958	24.0	17.4	0.5	1.9	1.8	45.6
1959	35.3	14.9	1.8	1.6	1.6	55.2
1960	35.8	16.3	1.7	1.2	1.9	56.9
1961	38.4	16.5	0.8	0.8	2.3	58.8
1962	36.0	10.6	0.6	0.7	1.7	49.6
1963	32.5	13.3	0.7	0.6	3.2	50.3
1964	24.5	12.5	0.7	2.2	2.3	42.2
1965	22.3	14.0	0.7	3.3	2.0	42.3
1966 3/	15.1	12.7	0.6	0.3	2.2	30.9
1967 3/	10.9	10.8	0.7	0.6	2.2	25.2

1/ Carryover at beginning of new crop year: July 1 in the United States and France, August 1 in Canada, and December 1 in Australia and Argentina.

2/ Estimates.

3/ Preliminary.

PRELIMINARY ESTIMATES OF 1966 WHEAT CROP



REDUCTION IN ESTIMATES OF 1966 U. S. WHEAT CROP

Throughout the early months of this year all reports in the principal wheat growing States indicated an excellent, near record wheat crop in prospect. The crop had wintered well and moisture conditions were good to excellent. Over the past two months, however, conditions have changed markedly. Several consecutive weeks with little or no rain in parts of Kansas, Colorado and Oklahoma, combined with a late May freeze in Southwest Kansas have seriously reduced prospects for a good crop.

The crop estimate based on conditions as of June 1 showed a decline of 137 million bushels or 10 percent from that of just one month earlier. The total decline from April 1 to June 1 totaled 156 million bushels-- more than one-fourth of our total PL 480 shipments. The 156 million bushel decline during the weeks immediately preceding harvest is one of the sharpest on record.

U.S. Wheat Crop: Preliminary Estimates for 1966

Crop report as of	Crop estimate	Change in crop estimate	
	(mil. bu.)	(mil. bu.)	(percent)
April 1	1,391		
		-19	-1.4
May 1	1,372		
		-137	-10.0
June 1	1,235		
Total change		-156	-11.2

Note: The 1960-64 average was 1,223 million bushels.

SUMMARY OF THE CURRENT SITUATION

The Crop Report released on June 10, based on conditions as of June 1, indicates a decline in the U. S. wheat crop of 137 million bushels or about 10 percent from the estimate of a month earlier. This sizable drop, coming as it does at a time when both India and the Soviet Union are requiring large imports of wheat, has caused considerable concern.

This has been interpreted as meaning that our wheat carryover, currently estimated at 550 million bushels for this July 1, will be down to 250 million bushels or lower by July 1 a year from now. Although we do expect a further reduction in our carryover during the next year due largely to heavy export demand we do not expect it to drop anywhere near the 250 million bushel level as some have anticipated. Others have interpreted this recent reduction in the U.S. wheat crop as meaning there will be a worldwide shortage of food. Such is clearly not the case.

Our wheat carryover, now down to 550 million bushels or about 15 million metric tons, is backed by a carryover of 51 million short tons of other grains (1.7 billion bushels in wheat equiv.), principally corn and grain sorghum. We can supplement our concessional wheat exports, which normally take two-fifths or more of our total harvest, with concessional exports of corn or grain sorghum, depending on the preference of the food aid recipient country. Both of these grains are substaples in the diets of Asia and Africa. Corn is consumed throughout much of Latin America.

Canada and France this year have a combined carryover of wheat totaling 550 million bushels-- exactly the same as ours. This too can be used to supplement our own concessional wheat shipments. Canada has already agreed to supply India, on concessional terms, just over a million tons of wheat (about 40 million bushels) during the coming year.

We have a responsibility to maintain adequate wheat supplies for domestic use and also a responsibility as the world's leading supplier of food. Under the Food and Agriculture Act of 1965 we have a great deal of flexibility in adjusting both the level and pattern of food production to meet worldwide needs.

In early May President Johnson announced a 15 percent increase in the wheat acreage allotment for next year's crop. As things now stand the acreage allotment for the crop we will begin planting in September for harvest next summer is 59 million acres, up 8 million acres from the allotment for the current crop. With normal weather this will give us a crop of about 1,555 million bushels, the largest crop ever harvested. Last week the President asked me to review carefully the wheat situation at home and abroad over the next few weeks deciding whether we might need to expand the acreage allotment further.

We are now awaiting the Crop Report to be released in early July, which will give us a better assessment of our wheat crop. By that time we will also have a better reading on this year's wheat crop in the Soviet Union, a preliminary indication of the monsoon in India and crop prospects in other countries.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

6

Wednesday, July 18, 1966

Mr. President:

The suggested order of business for the 45-minute NSC discussion of the current world food problem is as follows:

1. Your opening remarks.

   a. I have called this meeting on food because:

      (1) the war on hunger is as important as any national security problem we face;

      (2) the size and urgency of the food problem requires us to move rapidly along the lines of my message on food by organizing a world-wide attack on hunger.

2. Call on Secretary Rusk to speak about how he plans to get the aid donor countries engaged in the war on hunger as part of the Development Assistance Committee meeting opening Wednesday, July 20.

3. Call on AID Administrator Bell to summarize the food needs of foreign nations this year and in future years.

4. Call on Secretary Freeman to summarize the short term and the long term outlook for U. S. food production. (Note: Secretary Freeman is just back from South Asia and will be ready to report on the food situation in India.)

5. Conclude the meeting by saying:

   a. Every official participating in the Development Assistance Committee meeting this week (the Vice President, Secretary Rusk, Secretary Freeman, Administrator Bell) should make clear that the U. S. is deadly serious about a world-wide effort to fight hunger and that it is in the interests of all advanced countries to pitch in to the fullest extent they can afford.

   b. Secretary Rusk should send to me how he plans to get his Department, AID, Secretary Freeman's Department and the Bureau of the Budget, working jointly on the necessary studies and the next steps he wants me to take in the war on hunger.

Walt. Rostow

SERVICE SET

LIST OF ATTENDEES, NSC MEETING

Tuesday, July 19, 1966; 11:30 A.M.

Vice President Humphrey

Secretary of Defense McNamara

Secretary of State Rusk
Under Secretary of State Ball
Special Assistant to the Secretary Richard W. Reuter

CIA Director Helms

JCS Acting Chairman Admiral McDonald

Secretary of the Treasury Fowler

Secretary of Agriculture Freeman

USIA Director Marks

OEP Director Bryant

AID Administrator Bell
Deputy Administrator Gaud

Walt Rostow
Robert Kintner
Bromley Smith
Francis Bator
Edward Hamilton