U.S. Food Sales to India May Top $1 Billion in '75

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urban consumers in deficit States (particularly Maharashtra, Gujarat, and West Bengal) for wheat over sorghum, plus the smaller cash loss incurred by the Government for distribution of wheat. Moreover, the delivered Bombay price for imported coarse grains is now 80 percent of that for wheat, compared with about 60 percent in more normal years.

Precipitating the jump in grain imports has been growing difficulty in procuring and distributing domestic grain - a problem India seemingly had overcome a few years ago following break-through in grain production brought by the Green Revolution.

Those breakthroughs pushed Indian food grain production to a record 108.4 million tons in 1970-71 from the low 72.3 million of the 1965-66 drought year. Most of the wheat is harvested from late March to early May, providing supplies for distribution during July-June, the agricultural year in India. India in the early 1970's thus found itself virtually self-sufficient in grain, with trains from northern India replacing ships from North America as the main carriers of wheat to deficit areas. (During 1971-73, the Punjab and Haryana sent over 3 million tons of wheat to other areas of India each year.)

But stocks started to be undermined as malevolent weather hit again in 1972 and 1974, reducing slightly yields of high-yielding varieties of wheat and rice, stars of the Green Revolution, and bringing sharp reductions in traditional varieties in rain-fed areas.

When the poor weather first struck in the summer of 1972, lowering 1972-73 foodgrain output to 97 million tons, the Government was able to draw on nearly 9 million tons of foodgrain stocks to meet the emergency. The next year India had a better foodgrain crop of 103.6 million tons, despite a 2.6-million-ton drop in wheat output.

At that point, however, the real difficulties began. The country entered the 1974-75 season with stocks drawn down sharply, hoping that good monsoon weather would boost 1974-75 output to record levels and thus allow replenishment of the depleted stocks. But rains were inadequate, causing sharp declines in both rice and coarse grain output. Current estimates place the rice crop some 4.2 million tons under the 1973-74 record of 43.7 million tons (milled basis), while coarse gains (including 1975 barley) are also estimated about 4 million tons below last year's harvest of 28 million. And, the new wheat crop, to be harvested during March-May, is now projected to be only slightly better than last year's 22.1-million-ton harvest.

These difficulties have reflected back into the grain procurement and distribution system. Virtually all of the 2.6 million-ton decline in 1973-74 wheat-production showed up in reduced Government procurement of wheat during 1974 - less than 2 million tons, compared with almost 4.5 million in 1973. As a result, fair price shops in deficit States like Maharashtra and Gujarat received only about half their expected wheat from domestic supplies, and rapid inflation by then had overtaken all of India.

The inflation - marked by a 35-percent jump in food prices during 1974 - exacerbated problems in the wheat market, as farmers sold to private traders whenever possible rather than for the fixed price offered by the Government.

In addition, during 1973 and 1974 some farmers in the Punjab and other surplus producing States apparently fed wheat in their expanding dairy and poultry operations as a result of lower prices for it than for corn and sorghum. These price differences arose because private traders may transport coarse grains across food zone lines while they are not permitted to do this with wheat (except for Uttar Pradesh, with two zones, each State comprises one food zone). Hence, some of the Punjabi farmers shipped their corn and sorghum to defict States at higher prices ($160 to $200 per ton), retaining their wheat for feed.

The Gove.nment responded to the market distortions by upping its procurement price for wheat to $140 per ton in March 1974 from around $100 in 1973. But by then deliveries to procurement centers had fallen to token levels.

The Government also attacked the problem - by permitting flour millers to pay farmers $188 per ton for wheat if they would deliver half their purchases to procurement centers for $140 per ton. While suffering a loss of about $50 per ton for half the wheat thus purchased, millers made up for their losses through profits from wheat products sold in the cities. And they, of course, found this a better deal than having no wheat at all - a situation many had found themselves in during early 1974 as domestic supplies dropped and imports were not yet arriving in volume. Partly because of such measures, representatives of the flour mills purchased over 2 million tons of wheat in the Punjab and Haryana in 1974 for shipment to deficit States.

This expanded role of the flour mills mirrors India's rising commercial output of flour - it tripled between 1967 and 1973 to surpass 3 million tons. That growth, in turn, has been fueled by changing consumption habits among wealthier urban consumers, who increasingly buy finished bakery products rather than wait in line for wheat at fair price shops.

This year, wheat procurement should be helped some by the Government's recent price measures, including a boost in procurement prices in the Punjab to over $155 per ton in 1975. However, rice may present a problem because of the sharp shortfall in 1974-75 output, and purchases of other crops will likewise suffer from reduced outturns.

In addition to grains, India is importing larger amounts of U.S. fats and oils - especially tallow. Cash sales of U.S. tallow to India tripled between calendar 1973 and 1974 to 49,000 tons, valued at

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