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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

China: Agricultural Imports to Continue

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June 1973

China: Agricultural Imports to Continue

Agricultural imports by the People's Republic of China this year are at an all time high, and the United States has emerged as the principal supplier. To date, Peking has ordered more than US \$1 billion worth of grain, cotton, vegetable oil, and soybeans for delivery in 1973, almost \$475 million of which is of US origin. Peking also has purchased sizable quantities of US grain and cotton for delivery in the first six months of 1974. Peking's unusually heavy buying in world commodity markets since the fall of 1972 is mainly attributable to the subnormal 1972 harvest in China and to concern about tight world markets in grain, vegetable oil, soybeans, and cotton.

Although the disappointing 1972 harvest has led Peking to make short-term trade and acreage adjustments, the problem is much deeper. Weaknesses in the agricultural policies of the past decade have caused a decline in the rate of growth of overall agricultural output since 1966. Peking has reassessed these policies and has correctly concluded that adjustments in investment priorities are again necessary and that longer term solutions are required for China's agricultural problems. In particular, the investment of state funds in modern industries for the support of agriculture has been accelerated. The most notable moves thus far have been the recent purchase of four large urea plants and four synthetic fiber plants from abroad.

The new chemical plants will not begin to come on stream until 1976. In the interim, China will continue to rely on agricultural imports to maintain consumption, especially in years of below-normal harvests. Moreover, China's population and hence requirements for food and fiber for domestic consumption are also increasing, and even accelerated programs to modernize agriculture may not enable China to attain self-sufficiency by 1976. Some erosion of the US position as the principal supplier of agricultural imports to China may accompany a return to normal international supply conditions. Nevertheless, Chinese actions suggest that the overall competitive position of the United States in the Chinese market will remain strong.

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Note: Comments and queries regarding this memorandum are welcomed. They may be directed to

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DISCUSSION

Introduction

1. The year 1973¹ may mark the first pivotal period in agricultural policy of the People's Republic of China (PRC) in a decade. In 1962, Peking was forced to adopt an "agriculture first" policy to recover from the debacle of the Great Leap Forward. Now new, albeit less sweeping, policy changes are under way because the goals of the 1962 policies have not been met. China is still not self-sufficient in the output of both grain and essential non-grain crops, especially cotton and oilseeds, and it has become more rather than less dependent on agricultural imports. This memorandum examines (a) the reasons for China's expanded requirements for agricultural imports, (b) the impact that the new agricultural policies will have of China's short-run and longer run import requirements for agricultural commodities, and (c) the role that the United States may play in this trade.

The 1972 Harvest Problem

2. The 1972 harvest was admittedly subnormal throughout China. As shown in Table 1, grain output fell by 6 million to 10 million metric tons. Crops are poor in some parts of China every year, but local shortfalls are usually offset by favorable harvests in other areas. This situation was not so in 1972, when crops in all of China's major agricultural regions were affected at one time or another by unseasonable cold, drought, flood, waterlogging, insects, or disease. Grain production was down by about 4% (10 million tons), but grain fared better than the major non-grain crops. For example, the output of cotton declined by an estimated 15%-25% and autumn harvested oilseeds and soybeans were also hard hit.

3. Regionally, conditions in the rice growing areas of south China (see the Map, regions I-III) were not as bad as those in north China. In south China the weather was poor in the spring and early summer, but it improved during the remainder of the growing season. The transplanting of early rice was delayed in some areas and forgone in others because of the late arrival of the spring monsoon rains. The dry spell was followed first by torrential rains and flooding and then by pestilence. Conditions for the more important intermediate and late rice crops were better. Rainfall was more timely and growing conditions were relatively good except for a sizable pocket of severe drought in the central Yangtze Valley. In all, rice output was probably only marginally below the fairly good 1971 crop.

¹ Unless otherwise indicated, years are given in calendar years throughout this memorandum.

SECRET**Table 1****People's Republic of China:
Estimated and Reported Output of Grain¹**

Million Metric Tons		
	Estimated Output	Chinese Sources
1949		108
1950		125
1951		135
1952		154
1953		157
1954		160
1955		175
1956		182
1957		185
1958	200	250
1959	165	270
1960	160	150
1961	160	162
1962	175-180	174
1963	175-180	183
1964	180-185	200
1965	190-195	200
1966	195-200	No claim
1967	210-215	230
1968	195-200	No claim
1969	200-205	No claim
1970	220-225	240
1971	220-225	246
1972	210-215	236-240

1. Grain output data as reported by various Chinese sources since 1958 may not be consistent with the 1949-57 grain output series compiled by the State Statistical Bureau. The series consists of rice, small grains, and coarse grains (all on an unmilled basis), lentils and pulses, and tuber crops converted to grain equivalent at a ratio of four units of tubers to one unit of grain. Claims for more recent years may have been broadened to include more commodities, such as soybeans, or some tubers on a raw rather than a grain equivalent basis.

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4. Growing conditions in most areas of north China (see the Map, regions IV-A and V-A) deteriorated from good in the first half of the growing season to unfavorable in the second half. Conditions in the spring were almost ideal for the re-germination of winter wheat and the planting of coarse grains (corn, millet, and sorghum) and cotton. However, in June the weather turned for the worse. During most of the month, rainfall was sparse over the northern two-thirds of the North China Plain, while, paradoxically, the southern one-third was drenched by torrential rains. Winter wheat -- reportedly up by 8% over the mediocre 1971 crop -- escaped nature's wrath, but the much more important fall harvested coarse grains and cotton did not. Damage to the latter was especially severe because inclement weather struck the crop at its most vulnerable stage.

5. In the fall the weather turned wet, hindering harvesting of coarse grains, cotton, and soybeans in the North China Plain and northeast China. The soybean crop in northeast China -- China's major producer of beans for export -- was especially hard hit. Many beans rotted in the fields, and the quality of those that were harvested was seriously reduced by high moisture content. Damage was so extensive that Peking was unable to fulfill its 1972 export commitment to Japan and other countries. Apparently few if any beans will be available for export until after the 1973 crop is harvested in September and October.

6. The availability of oilseeds in China is currently the lowest in many years. The poor cotton harvest of 1972 greatly reduced the quantity of cottonseed that could be crushed for oil. Similarly, generally subnormal growing conditions throughout China also produced a shortfall in the harvest of other major oilseeds, such as peanuts and sesame. The output of rapeseed, harvested in the spring of 1972, was claimed to be up by 20%, largely because of an increase in the acreage sown to this winter crop. The increase was not great enough, however, to offset the sharp decline in the other oilseeds, which collectively account for about 70% of China's output of oilseeds.

Effects of the 1972 Harvest on Imports

7. The disappointing 1972 harvest and almost unprecedentedly tight world supplies of grain, oilseeds, and certain grades of cotton have forced Peking to alter its buying practices for 1972-74 and possibly beyond. Since the late summer of 1972 the PRC has (a) stepped up imports of grain and cotton, (b) broadened imports to include corn, lower grades of cotton, vegetable oils, and oilseeds, and (c) turned to new (the United States) and former (Australia and Latin America) suppliers. The degree of change has varied from commodity to commodity as follows.

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Grain

8. In the fall of 1969, China began to purchase one grain - wheat - exclusively from Canada. This arrangement was broken in August 1972 when the Canadian dockstrike interrupted the orderly flow of imported wheat into northern Chinese cities. Between late August and mid-October 1972, the Chinese acquired about 535,000 tons of US wheat to offset the disruption of the dockstrike and to make up for the shortfall in the harvest of autumn grain in the north. From mid-October to November the Chinese, following their normal practice, began to purchase grain for delivery in 1973. The initial purchase was for 1.0 million tons of Australian wheat - the first contract signed with that country since the fall of 1969 - followed by a contract for 1.7 million tons of Canadian wheat. Unlike in past years, negotiations took place in a strong seller's market/

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9. Following the departure of the Canadian negotiators in December 1972, China was confronted by new problems. Peking was informed that, because of the poor wheat harvest in Australia, imports from the country would be cut from the original contract for 1.0 million tons to 600,000 tons. Furthermore, unseasonal autumn rainfall seriously affected the harvest of coarse grains and soybeans in northeast China. Normally the North China Plain depends on shipments of grain from this region and on grain imports from abroad to make ends meet. The sudden worsening of this harvest forced the Chinese to buy whatever grain they could find at a price they could afford to pay. Thus the Chinese turned to US grain for a second time. In all, about 575,000 tons of corn - which was cheaper and more readily available than wheat - was purchased as a stopgap until conditions in the world grain trade became more settled. No further grain purchases were made until the late spring of 1973.

10. As shown in Table 2, the surge of buying activity pushed grain imports for 1972 to 4.8 million tons, about 1.8 million tons more than the low amount imported in 1971. For 1973, China has thus far contracted for the delivery of about 5.5 million tons of grain.² This quantity should be sufficient to cover China's import requirements during the balance of 1973, barring no unusually heavy losses in the harvest of grain. The only nations that are expected to have uncommitted stocks of grain for export in late 1973 are the United States (wheat and corn) and Argentina (corn). Canada may have some wheat available later in the year if currently unfavorable growing conditions improve.

2. This total excludes (a) about 200,000 tons of US corn and wheat contracted for in 1972 but not delivered until January and February 1973 and (b) the 400,000 tons of wheat that Australia is unable to deliver in 1973.

SECRET**Table 2****People's Republic of China: Imports of Grain
1970-73**

	Thousand Metric Tons			
	1970	1971	1972	1973
Total	4,632	3,026	4,844	5,716
Canada	1,967	3,013	3,882	2,450
Australia	2,218	13	....	600
Argentina	....	....	....	200
France	447	....	....	....
United States	....	....	962	2,466

11. In mid-May, Peking began the forward buying of grain to cover China's 1974 import requirements. Purchases to date include about 1.5 million tons of wheat and 850,000 tons of corn from the United States, almost all of which probably will arrive in China in the first six months of 1974. This grain, together with 400,000 tons of Australian wheat that will be delivered after 1 January 1974, is roughly equivalent to China's normal six-month requirement for imported grain. The forward buying of grain this early in the year probably reflects Peking's concern over tight and uncertain world grain supplies.

Cotton

12. Total PRC imports of cotton for the year 1972/73³ may approach 490,000 tons (2,250,000 bales), more than three times 1971/72 deliveries and nearly three times the record imports of 1964/65. Only a part of the heavy purchasing of cotton is attributable to the poor 1972 cotton crop. From 1968/69 through 1971/72 cotton imports increased by an average of about one-third each year, suggesting that domestic consumption has outstripped domestic production since the record cotton harvest of 1967 (available for spinning in 1967/68) was gathered.

13. Cotton imports will remain unusually high at least through 1973/74. The 1973 cotton crop will be below average because of sizable shifts of cotton land to grain - a normal practice following a poor harvest of grain in the North China Plain. This smaller crop, together with a continuation of the trend of increasing imports of cotton, would suggest purchases of about 1.2 million to 1.5 million bales, assuming normal weather. Peking already has made sizable purchases of new-crop cotton

³ Cotton imports are reported for the year beginning 1 August and ending 31 July the following year. Imports for 1972/73, for example, are for the 12-month period 1 August 1972 - 31 July 1973.

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(cotton now being sown) from the United States and elsewhere for delivery after China's 1973 crop will be available for spinning. The purchasing of cotton so far in advance is unprecedented for the Chinese.

Vegetable Oils

14. The overall shortfall in most major oilseeds -- peanuts, sesame, and cottonseed -- for crushing in 1972 forced the PRC to purchase sizable quantities of vegetable oil for the first time.⁴ Purchases to date include more than 100,000 tons of US soybean oil and about 4,000 tons of Philippine coconut oil. China also has purchased 200,000 tons of soybeans from the United States, 20,000 tons of which are for delivery to Romania on Chinese account. The acreage of rapeseed and cotton has been cut back in 1973, and similar reductions in the acreages of peanuts and sesame are anticipated. Thus, China is likely to be in the market for still more vegetable oil and possibly soybeans this year.

Sugar

15. Despite claims of record crops of sugar cane and sugar beets in 1972, the PRC has been buying unusually large quantities of sugar. China normally exchanges rice for about 400,000 tons of sugar from Cuba each year. Because of the poor harvest of sugar cane in Cuba, deliveries to China in 1972 declined by about one-half. Purchases from Brazil in 1972 reportedly more than offset the lower imports from Cuba. Rumors are that China already has purchased sizable quantities of Brazilian sugar for delivery in 1973.

16. In summary, Peking's agricultural imports are at an all time high, and the United States is currently the leading supplier of these commodities. To date, Peking has purchased more than \$1.0 billion worth of agricultural commodities for delivery in 1973,⁵ almost \$475 million of which is of US origin (see Table 3). Peking will import about 5.7 million tons of grain, more than 2.2 million bales (nearly 490,000 tons) of cotton,⁶ more than 150,000 tons of vegetable oil, and an undetermined quantity of soybeans. By value, about 45% of the grain, 35% of the cotton, and most of the vegetable oil and soybeans will be supplied by the United States.

The Outlook for the 1973 Harvest

17. The additional amounts of agricultural commodities that Peking will import in the remainder of 1973 and the first six months of 1974

4. Soybeans -- a major crop in China -- are not believed to be a major source of vegetable oil. Most beans are made into soysauce, consumed directly, or exported.

5. On a c. and f. basis. This figure does not include purchases of sugar.

6. For the year beginning 1 August 1972.

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Table 3

People's Republic of China: Imports of Agricultural Commodities¹
1973

	Thousand Metric Tons			Thousand US \$		
	Total	US	Non-US	Total	US	Non-US
Total						
(c.i.f.) value				1,045,343	474,174	571,169
Grain	5,716	2,466 ²	3,250	526,845	238,361	288,484
Soybeans	200	200	....	45,787	45,787	....
Vegetable oil	154.5	133 ³	21.5 ⁴	45,613	38,448	7,16 ⁵
	Thousand Bales					
Cotton ⁵	2,245	810	1,435	427,098	151,578	275,520

1. C.I.F. basis, including contracts negotiated through 18 May 1973.

2. Including 1,316,000 tons of corn valued at \$122,474,000 and 1,150,000 tons of wheat valued at \$115,887,000.

3. Including 17,000 tons of linseed oil valued at \$5,110,000 and 116,000 tons of soybean oil valued at \$33,338,000. The soybean oil includes 11,000 tons of "omnibus" origin.

4. Including 17,500 tons of Malaysian palm oil and 4,000 tons of Philippine coconut oil.

5. For the year beginning 1 August 1972.

will depend on growing conditions in China during the balance of the current cropping season. It is too early to predict what these conditions will be, but because of acreage shifts the outlook for grains is brighter than that for cotton and oilseeds.

18. As is customary in China following a subnormal harvest, the acreage seeded to grains has been increased. In the fall of 1972 the Chinese sought to maximize the acreage of winter grains.⁷ This effort probably fell somewhat short because of the generally wet autumn. Nevertheless, the acreage sown to winter wheat, barley, rye, and legumes was much larger than in recent years. Similarly, the acreage of spring sown grains - for harvest in the early autumn - was also enlarged. The potential benefits of these programs will in part be canceled by the resulting contractions in the acreage of (a) higher yielding and more stable early autumn harvested coarse grains, (b) non-grain crops, especially cotton and oilseeds, and (c) possibly early rice. The regime already has shown concern that programs to grow grain rather than cotton and industrial crops may be carried too far. For example, at the January 1973 national conference on cotton production the regime insisted that state sowing plans in 1973 be strictly

7. Winter crops are sown in the fall and harvested in the spring or summer of the following year. Where conditions permit, this acreage is then sown with grains to be harvested in the late autumn.

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followed. This, together with the emphasis on increasing cotton yields and the absence of references to increases in cotton acreage, shows Peking's anxiety that cotton acreage may be cut too deeply. The unusually heavy forward buying of cotton for delivery beginning late this year suggests that Peking's anxieties are not altogether groundless.

19. Peking's gamble to maximize grain output seems to be paying off. Precipitation during the winter and thus far into the spring has been generally above average in north China. This condition is favorable for the growth of winter wheat and also for the spring sowing of coarse grains. In south China the spring has been warm and free of crop killing cold snaps. Fieldwork is ahead of schedule in most areas, and the spring rains -- vital for the transplanting of rice -- arrived on time.

20. Normally dry regions IV-B and V-B (see the Map) have complained of drought as have some areas of Szechwan Province. Chekiang Province and other areas of east China have complained recently of too much rain. Peasants in many areas of Heilungking Province -- the leading producer of spring wheat and also soybeans for export -- have not been able to get into the fields because of high soil moisture. China's weather regime is unstable, and weather conditions can deteriorate rapidly. On the heels of last year's short grain harvest a serious worsening of growing conditions over key areas would force Peking to buy far more grain than the 1973 requirement, estimated at about 6 million tons.

Peking's Reassessment of Agricultural Policy

21. The implications of the subnormal 1972 harvest extend beyond short-term acreage and trade adjustments. Old agricultural problems have resurfaced as have weaknesses in the "agriculture first" and "stabilization" policies of the past 10 years.⁸ Peking apparently has reassessed these policies and has concluded that adjustment in investment priorities is again necessary and that longer term solutions are required for China's agricultural problems.

22. Until 1971 the objectives of the "agriculture first" and "stabilization" policies were ostensibly on the way to being met. Grain production was first restored to the pre - Leap Forward level and thereafter increased at a rate somewhat higher than the population growth rate.

⁸ These policies provided for (a) a much greater share of state investment for agriculture, (b) a restructuring of the industrial sector to produce modern inputs for agriculture, and (c) a retreat from centralized communal management of agriculture. For a more detailed treatment of these policies see "China: Agricultural Development, 1949-71" by A. L. Erisman in *People's Republic of China: An Economic Assessment*, Joint Economic Committee of the Congress of the United States, May 1972.

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Peking - confident that costly grain imports would soon be phased out - began short-term purchasing of grain in the fall of 1969. This optimism was based on the premise that the North China Plain would soon become self-sufficient in the output of grain.

23. Peking's optimism was premature. Self-sufficiency was not realized, although rising levels of output permitted grain imports to be reduced from 4.4 million tons in 1968 to 3.0 million tons in 1971 (see Table 4). At the same time the output of essential industrial crops, especially cotton and oilseeds, did not keep pace with the increase in grain production. Cotton imports increased by an average of about one-third each year, or from 66,000 tons (305,000 bales) in 1968/69 to about 160,000 tons (737,000 bales) in 1971/72 (see Table 5). On a per capita basis, grains approached the pre - Leap Forward level. Cotton textiles and vegetable oils, on the other hand, did not increase appreciably above the 1959-61 lows, and rations for these commodities were near the lowest permissible levels.⁹

24. Despite the overriding priority for grain production, even the normally roseate "official data" showed a declining rate of increase for domestic grain production. According to these data the average annual rate of increase declined from 4.8% during 1965-67 to 1.7% for 1968-71. The reason for this decline was Peking's unwillingness to continue to underwrite the high cost of modern agricultural development, choosing instead to allocate state investment to military and industrial development. Since 1966 the increasingly expensive programs of developing high yield farmland have been downgraded.¹⁰ Similarly, the Chinese preferred to import chemical fertilizers rather than import or develop modern complexes for domestic manufacture of chemical fertilizers. Peking also attempted to substitute quantity for quality. The thousands of small locally financed fertilizer plants that were built after 1966 turned out a flood of semi-modern inputs of widely varying utility.

25. As for the North China Plain (see the Map, region IV-A), the excellent 1969 and 1970 harvests of coarse grains were largely the product of fortuitous weather and not the result of newly renovated water conservation facilities as frequently claimed by Peking. Flooding and waterlogging were thought to have been eliminated by the digging of a

9. Since the mid-1960s the normal cloth ration has been a little more than 3 yards per person per year in south China and about 6 yards per person per year residing in cooler areas of China. The 1973 cloth ration has been reduced from even these austere levels. The vegetable oil ration normally fluctuates between 4 and 8 ounces per person per month.

10. During 1964-66, most state investment was allocated to develop irrigation and drainage facilities on the best farmland so that a crop could be harvested should either a drought or flood occur.

Table 4

People's Republic of China: Imports of Grain¹

	Thousand Metric Tons												
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973 ²
January-December	5,476	5,004	5,489	6,605	5,912	5,585	4,133	4,364	3,908	4,632	3,026	4,844	5,716
Canada	2,264	2,009	1,483	2,075	1,600	2,568	1,084	2,173	1,729	1,967	3,013	3,882	2,450
Australia	2,574	1,229	3,002	2,225	2,800	1,307	2,859	1,591	1,848	2,218	13	....	600
Argentina	371	525	35	1,409	1,500	1,600	100	....	....	....	....	....	200
France	257	284	814	225	....	110	....	600	331	447	....	....	....
Other	10	957	155	671	12	....	90	....	....	....	....	....	....
United States	....	....	....	....	....	....	....	....	....	....	....	962 ³	2,466
January-June	2,650	3,170	3,591	3,901	2,762	3,073	2,591	2,800	1,692	2,317	1,578	1,517	2,916
Canada	1,134	1,374	1,053	877	800	970	877	1,162	1,085	1,186	1,565	1,517	1,600
Australia	1,449	1,013	1,771	1,395	1,500	693	1,524	1,038	607	1,131	13	....	600 ⁴
Argentina	30	234	....	1,127	450	1,300	100	....	....	....	....	....	....
France	27	....	626	128	....	110	....	600	....	....	....	....	....
Other	10	549	141	374	12	....	90	....	....	....	....	....	....
United States	....	....	....	....	....	....	....	....	....	....	....	....	716 ⁵
July-December	2,826	1,834	1,898	2,704	3,150	2,512	1,542	1,564	2,216	2,315	1,448	3,327	2,800
Canada	1,130	635	430	1,198	800	1,598	207	1,011	644	781	1,448	2,365	850
Australia	1,125	216	1,231	830	1,300	614	1,335	553	1,241	1,087	....	....	....
Argentina	341	291	35	282	1,050	300	....	....	....	....	....	....	200
France	230	284	188	97	....	....	....	....	331	447	....	....	....
Other	....	408	14	297	....	....	....	....	....	....	....	....	....
United States	....	....	....	....	....	....	....	....	....	....	....	962 ³	1,750 ⁶

1. Calendar years.

2. Preliminary

3. Including 535,000 tons of wheat and 427,000 tons of corn.

4. The contract was for 1 million tons, but delivery of 400,000 tons was postponed until January-June 1974 because of the poor 1972 wheat harvest in Australia.

5. Including 150,000 tons of wheat and 566,000 tons of corn.

6. Including 1.0 million tons of wheat and 750,000 tons of corn.

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Table 5
People's Republic of China: Imports of Cotton¹

Source	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73 ²
Thousand Metric Tons													
Total	63.4	25.3	77.9	177.4	176.8	129.5	107.6	72.3	66.4	77.7	94.3	160.5	488.8
Thousand Bales (480 pounds net)													
Total	291	116	358	815	812	595	494	332	305	357	433	737	2,245
Brazil	1	....	....	2	....	....	....	....	....	2	....	....	200
Burma	1	5	9	16	33	34	....	....	....	....	....	....	....
Egypt	73	54	114	70	107	84	93	40	30	46	71	58	36
Iran	....	....	....	....	5	8	18	10	3	1	10	69	207
Kenya	2	....	....	1	....	8	3	5	3	5	8	12	21
Mexico	....	....	....	15	30	....	....	....	....	....	....	73	160
Morocco	....	....	4	12	11	5	....	....	....	....	....	12	17
Nigeria	....	....	....	9	12	7	....	....	....	....	....	....	....
Pakistan	75	10	59	247	118	101	140	88	102	49	51	117	145
Sudan	18	12	52	90	71	53	64	41	69	53	151	171	170
Syria	61	34	78	203	203	155	90	54	64	110	73	69	70
Tanzania	3	....	11	68	54	64	60	49	25	63	50	68	59
Turkey	....	....	....	....	10	7	4	7	2	7	....	55	220
Uganda	56	....	30	75	117	56	17	30	7	20	4	28	4
United States	....	....	....	....	....	....	....	....	....	....	....	....	....
Other	1	1	1	7	41	13	5	8	1	3	Negl.	810

1. For the year beginning 1 August.
2. Preliminary

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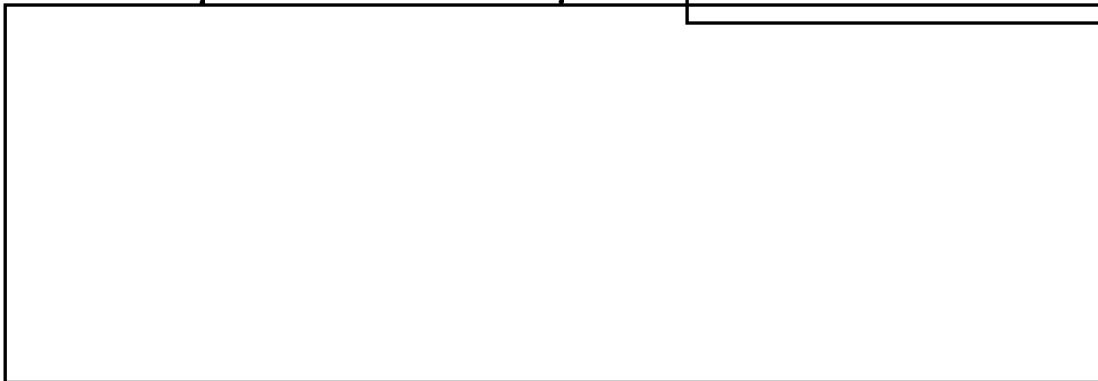
number of enormous drainage ditches across the Plain subsequent to the 1963 flood. The area under irrigation was being enlarged rapidly through the sinking of thousands of deep wells equipped with mechanical pumps. In 1972 the overall deviation in precipitation from the long-term average was not extreme. Nevertheless, in northern parts of the Plain the over-pumping of water during a two-week dry period in June lowered the water table to a point where many wells became inoperative. In the southern part of the Plain, waterlogging and flooding were encountered.

26. Beginning in November 1972, Peking took several steps to meet these problems. The concept of the small plant churning out second-class inputs was downgraded in the official press and obviously is no longer viewed as a panacea. Instead the regime again turned to accelerated investment of central funds in support of industries for agriculture. The most notable move in this area was the purchase this spring of four large chemical fertilizer plants and four synthetic fiber plants from abroad. The fertilizer plants are expected to increase China's availability of nitrogen from urea fertilizer from the current 750,000 tons to more than 2 million tons per year when they become operational in the mid to late 1970s. By the end of the decade, the new fiber plants should roughly double the 970 million linear meters of man-made fiber produced in 1972.

27. A buildup of domestic capacity to manufacture high-quality chemical fertilizer and synthetic fibers is only one facet. Peking is also intensifying land utilization (multiple cropping) and introducing more efficient crop rotations and cultivation practices.

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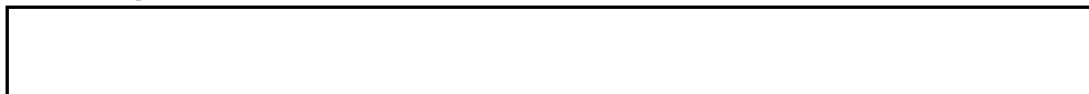
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Long-Run Prospects - A Look Ahead

28. The modern fertilizer and synthetic fiber plants purchased from the West will not come on stream until late in the decade. In the interim, China will have to rely on imports of agricultural commodities to maintain consumption, especially in years of below-normal harvests. Peking has

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acknowledged this. The Chinese have agreed to buy several million tons of grain annually from the Canadian and Australian Wheat Boards for the next several years. Chinese long-range import plans are not limited to grain.

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29. The diversification of imports as a hedge against international price and supply uncertainty is obviously prudent. Heretofore the Chinese have chosen to import grain to free acreage to grow enough short-and medium-staple cotton to fulfill minimum domestic requirements. Most imports of cotton were long staple, primarily for use in textiles for export. Because of large international stocks of grain, wheat was purchased cheaply in a buyers' market. Conditions have changed. Now Peking is faced with the unpalatable prospect of buying grain when international grain prices are at or near record highs, world grain stocks are the tightest in several decades, and future supply and demand relationships, both at home and abroad, are highly uncertain. Given these constraints, Peking seems to have decided to grow less cotton and more grain, thereby lowering imports of grain and increasing imports of cotton.

30. Less cotton and more grain is indeed being grown this year in China. Almost all cotton acquired from the United States, for both short-and long-term delivery, is cotton of relatively short staple and of low quality - similar to that grown in China. Clearly this grade of cotton is earmarked for domestic consumption.

31. Peking has moved rapidly to normalize Sino-US agricultural trade. Initially the Chinese acquired US commodities through third country brokers and insisted that all purchases be shipped c. and f. Apparently this method was intended to forestall any possibility of attachment by US citizens with claims against the PRC. In a major step toward normalization, Peking recently purchased small quantities of grain, cotton, soybeans, and soybean oil directly from US firms for f.o.b. shipment. More and much larger transactions currently are being negotiated. Other steps toward normalization include discussions of possible credit terms and Chinese inquiries about the possibility of opening letters of credit through US banks. These actions suggest that China now views the United States as more than an interim supplier.

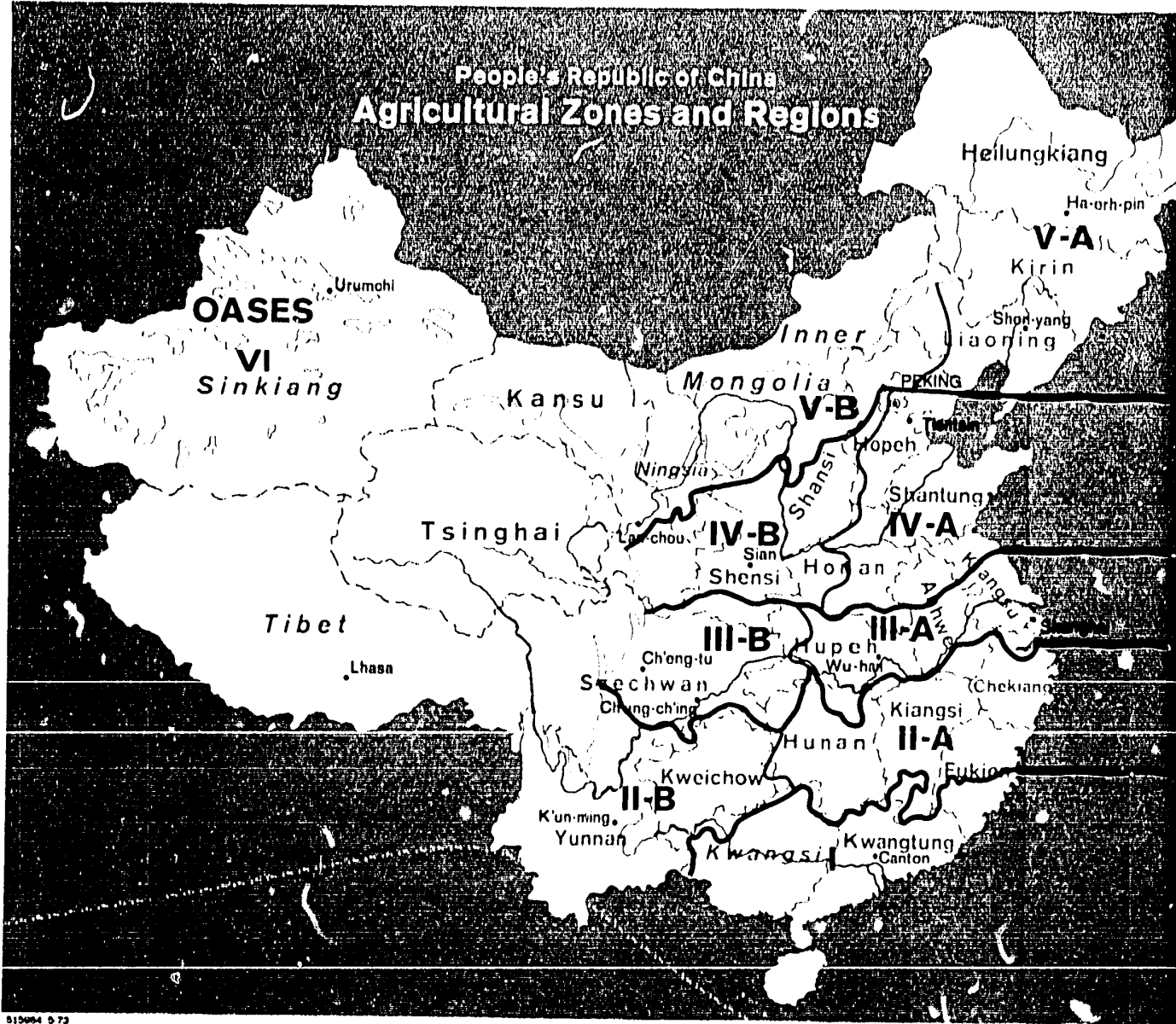
32. Barring calamitous weather, imports undoubtedly will decline substantially from the 1973 peak but will remain high at least through 1976, when imported chemical fertilizer and synthetic fiber complexes are planned to come on stream. Conceivably, inputs could be concentrated to achieve a comparatively big increase in the output of one commodity; however, no major jump in the overall rate of increase for grain, cotton,

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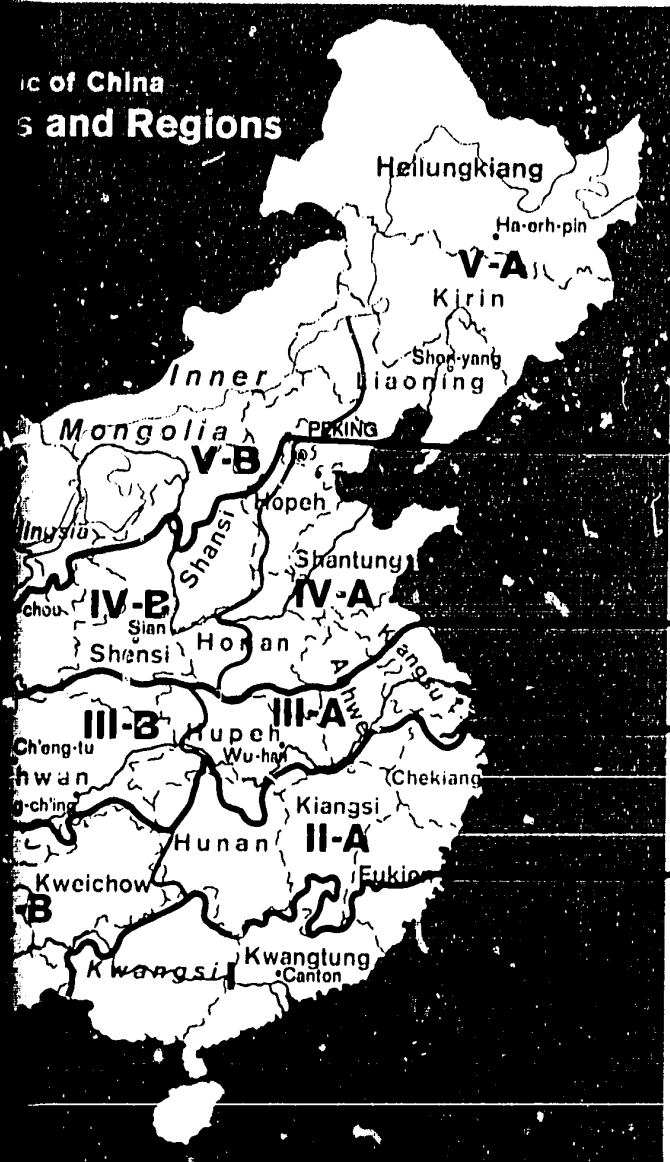
soybeans, and vegetable oil will occur until much larger quantities of modern inputs, especially chemical fertilizers, become available. But China's population and hence domestic requirements for food and fiber are also increasing. At this stage there is no guarantee that the quantity of chemical fertilizers and other modern inputs available after 1976 will be enough. Thus China seems likely to remain a lucrative market for US exporters of agricultural commodities and their foreign competitors.

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Map of China
Zones and Regions



Northern limit for cultivation - single cropping

Northern limit for winter wheat, also limit for multiple cropping (three crops in two years)

Northern limit of major rice growing regions, also limit for two crops in one year

Northern limit of five crops in two years

Northern limit for three crops in one year (two crops of rice and one winter crop)

V-A Manchurian Coarse Grains-Soybeans
V-B Spring Wheat

IV-A Corn-Kaoliang-Winter Wheat
IV-B Millet-Corn-Winter Wheat

III-A Yangtze Rice-Winter Wheat
III-B Szechwan Rice

II-A Rice-Tea
II-B Southwestern Rice

I Double-crop Rice

Zone	Region	Description
I	A	Double cropping rice area: Major crops: Early and late rice, sweet potatoes, and soybeans. Minor crops: Winter crops (wheat and oilseeds).
II	A	Rice-tea region: Major crops: Double and single crop rice, sweet potatoes, winter legumes, and rapeseed. Minor crops: Winter wheat, sugar cane, cotton, peanuts, sesame, and coarse grains.
III	A	Yangtze rice, wheat area: Major crops: Single crop rice, sweet potatoes, cotton, winter wheat, and legumes. Minor crops: Soybeans, peanuts, hemp, rapeseed, and sesame.
IV	A	Corn, kaoliang, winter wheat area: Major crops: Coarse grains, winter wheat, cotton, peanuts, soybeans, and sweet potatoes. Minor crops: Tobacco, buckwheat, sesame, and fibers.
V	A	Manchurian coarse grain and soybean area: Major crops: Coarse grains, soybeans, and spring wheat. Minor crops: Cotton, tobacco, white potatoes, fiber crops, oilseeds, and sugar beets.
VI	A	Oases: Crops grown: Winter and spring wheat and oilseeds.

for cultivation -
 for winter
 for multiple
 crops in
 of major rice
 crops, also limit
 in one year
 of five crops
 for 15-20
 year (two crops
 in winter crop)

Zone	Region		Comments
	A	B	
I	Double cropping rice area:		Two crops of rice grown on most paddy fields, approximate northern limit for the growing of three crops in one year.
	Major crops: Early and late rice, sweet potatoes, peanuts, sugar cane. Minor crops: Winter crops (wheat and rape), fiber crops, and tropical crops.		
II	Rice-tea region:	Southwestern rice area:	Possible to grow five crops in two years in some areas, single crop rice predominates but the double cropping of rice is increasing, growing of winter legumes and rapeseed is also important, particularly in region II-A.
	Major crops: Double and single crop rice, sweet potatoes, winter legumes, and rapeseed. Minor crops: Winter wheat, sugar cane, cotton, peanuts, sesame, and coarse grains.		
III	Yangtze rice, wheat area:	Szechwan rice area:	Northern limit of both major rice growing regions and also for the harvesting of two crops in one year.
	Major crops: Single crop rice, sweet potatoes, cotton, winter wheat, and legumes. Minor crops: Soybeans, peanuts, hemp, rapeseed, and sesame.		
IV	Corn, kaoliang, winter wheat area:	Millet, corn, winter wheat area:	Northern limit for multiple cropping and also for the cultivation of winter wheat. Most common form of multiple cropping is the harvesting of three crops every two years.
	Major crops: Coarse grains, winter wheat, cotton, peanuts, soybeans, and sweet potatoes. Minor crops: Tobacco, buckwheat, sesame, and fibers.		
V	Manchurian coarse grain and soybean area:	Spring wheat area:	Northern limit for crop cultivation.
	Major crops: Coarse grains, soybeans, and spring wheat. Minor crops: Cotton, tobacco, white potatoes, fiber crops, oilseeds, and sugar beets.		
VI	Oases: Crops grown - Winter and spring wheat, rice, coarse grains, cotton, and oilseeds		Limited to areas where irrigation water is available. Considerable increase in the size of the area under cultivation in recent years.
	V-A	Manchurian Coarse Grains-Soybeans	
V-B	Spring Wheat		
IV-A	Corn-Kaoliang-Winter Wheat		
IV-B	Millet-Corn-Winter Wheat		
III-A	Yangtze Rice-Winter Wheat		
III-B	Szechwan Rice		
II-A	Rice-Tea		
II-B	Southwestern Rice		
I	Double-crop Rice		