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27 September 1972

MEMORANDUM FOR: Deputy Director for Intelligence

SUBJECT : Australian Wheat Sale to China

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1. [ ] the Australian Wheat Board has announced the signing of a contract with the PRC for 1 million tons of wheat to be delivered in 1973. During 1971 and 1972, China refused to purchase Australian wheat because of the Australian position on diplomatic recognition of the PRC. The turnabout in the Chinese position apparently reflects the PRC judgment that Canada -- China's preferred source of grain imports -- may be unable to supply more than 3 million tons of wheat next year and that additional amounts will be necessary to meet Chinese requirements. USDA estimates that the US would be unable to fulfill a Chinese contract of this magnitude before May of 1973 and then only at the expense of other US customers. This is the season for the annual Chinese negotiations for imports in the following year and the PRC has apparently turned to Australia for a large part of its 1973 needs. The current status of PRC grain imports is shown below:

PRC Grain Import Contracts

	(Thousand Metric Tons)	
<u>Exporting Country</u>	<u>1972</u>	<u>1973</u>
Canada	3,950	750
US	408	
Australia	0	1,000
Unspecified	<u>150</u>	<u>50</u>
<u>Total</u>	4,508	1,800

2. We speculate that China is currently negotiating with Canada for a 1973 contract for around 3 million tons. At this point, US chances for becoming a regular exporter of large quantities of grain to the PRC appear to be small.

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[ ]  
Director  
Economic Research

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