

**No. 14519**

---

**UNITED STATES OF AMERICA  
and  
INDIA**

**Agreement for sales of agricultural commodities (with agreed minutes). Signed at Washington on 20 March 1975**

*Authentic text: English.*

*Registered by the United States of America on 31 December 1975.*

---

**ÉTATS-UNIS D'AMÉRIQUE  
et  
INDE**

**Accord relatif à la vente de produits agricoles (avec procès-verbaux approuvés). Signé à Washington le 20 mars 1975**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 31 décembre 1975.*

## AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF INDIA FOR SALES OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of India,

Recognizing the desirability of expanding trade in agricultural commodities between the United States of America (hereinafter referred to as the exporting country) and India (hereinafter referred to as the importing country) and with other friendly countries in a manner that will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

Taking into account the importance to developing countries of their efforts to help themselves toward a greater degree of self-reliance including efforts to meet their problems of food production and population growth;

Recognizing the policy of the exporting country to use its agricultural productivity to combat hunger and malnutrition in the developing countries, to encourage these countries to improve their own agricultural production, and to assist them in their economic development;

Recognizing the determination of the importing country to improve its own production, storage, and distribution of agricultural food products, including the reduction of waste in all stages of food handling;

Desiring to set forth the understandings that will govern the sales of agricultural commodities to the importing country pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act), and the measures that the two Governments will take individually and collectively in furthering the above-mentioned policies;

Have agreed as follows:

### PART I. GENERAL PROVISIONS

#### *Article I*

A. The Government of the exporting country undertakes to finance the sale of agricultural commodities to purchasers authorized by the Government of the importing country in accordance with the terms and conditions set forth in this agreement.

B. The financing of the agricultural commodities listed in Part II of this agreement will be subject to:

1. the issuance by the Government of the exporting country of purchase authorizations and their acceptance by the Government of the importing country; and
2. the availability of the specified commodities at the time of exportation.

C. Application for purchase authorizations will be made within 90 days after the effective date of this agreement, and, with respect to any additional commodities or amounts of commodities provided for in any supplementary agreement, within 90 days after the effective date of such supplementary agreement. Purchase authorizations shall include provisions relating to the sale and delivery of such commodities, and other relevant matters.

<sup>1</sup> Came into force on 20 March 1975 by signature, in accordance with part III (A).

D. Except as may be authorized by the Government of the exporting country, all deliveries of commodities sold under this agreement shall be made within the supply periods specified in the commodity table in Part II.

E. The value of the total quantity of each commodity covered by the purchase authorizations for a specified type of financing authorized under this agreement shall not exceed the maximum export market value specified for that commodity and type of financing in Part II. The Government of the exporting country may limit the total value of each commodity to be covered by purchase authorizations for a specified type of financing as price declines or other marketing factors may require, so that the quantities of such commodity sold under a specified type of financing will not substantially exceed the applicable approximate maximum quantity specified in Part II.

F. The Government of the exporting country shall bear the ocean freight differential for commodities the Government of the exporting country requires to be transported in United States flag vessels (approximately 50 percent by weight of the commodities sold under the agreement). The ocean freight differential is deemed to be the amount, as determined by the Government of the exporting country, by which the cost of ocean transportation is higher (than would otherwise be the case) by reason of the requirement that the commodities be transported in United States flag vessels. The Government of the importing country shall have no obligation to reimburse the Government of the exporting country for the ocean freight differential borne by the Government of the exporting country.

G. Promptly after contracting for United States flag shipping space to be used for commodities required to be transported in United States flag vessels, and in any event not later than presentation of vessel for loading, the Government of the importing country or the purchasers authorized by it shall open a letter of credit, in United States dollars, for the estimated cost of ocean transportation for such commodities.

H. The financing, sale, and delivery of commodities under this agreement may be terminated by either Government if that Government determines that because of changed conditions the continuation or such financing, sale, or delivery is unnecessary or undesirable.

## Article II

### A. *Initial Payment*

The Government of the importing country shall pay, or cause to be paid, such initial payment as may be specified in Part II of this agreement. The amount of this payment shall be that portion of the purchase price (excluding any ocean transportation costs that may be included therein) equal to the percentage specified for initial payment in Part II and payment shall be made in United States dollars in accordance with the applicable purchase authorization.

### B. *Currency Use Payment*

The Government of the importing country shall pay, or cause to be paid, upon demand by the Government of the exporting country in amounts as it may determine, but in any event no later than one year after the final disbursement by the Commodity Credit Corporation under this agreement, or the end of the supply period, whichever is later, such payment as may be specified in Part II of this agreement pursuant to Section 103(b) of the Act (hereinafter referred to as the Currency Use Payment). The Currency Use Payment shall be that portion of the amount financed by the exporting country equal to the percentage specified for Currency Use Payment in Part II. Payment shall be made in accordance with paragraph H and for purposes specified in Subsections 104(a), (b), (e), and (h) of the Act, as set forth in Part II of this agreement. Such payment shall be credited against (a) the amount of each year's interest payment due during the period prior to the due date of the first installment payment, starting with the first year, plus (b)

the combined payments of principal and interest starting with the first installment payment, until the value of the Currency Use Payment has been offset. Unless otherwise specified in Part II, no requests for payment will be made by the Government of the exporting country prior to the first disbursement by the Commodity Credit Corporation of the exporting country under this agreement.

C. *Type of Financing*

Sales of the commodities specified in Part II shall be financed in accordance with the type of financing indicated therein. Special provisions relating to the sale are also set forth in Part II.

D. *Credit Provisions*

1. With respect to commodities delivered in each calendar year under this agreement, the principal of the credit (hereinafter referred to as principal) will consist of the dollar amount disbursed by the Government of the exporting country for the commodities (not including any ocean transportation costs) less any portion of the Initial Payment payable to the Government of the exporting country.

The principal shall be paid in accordance with the payment schedule in Part II of this agreement. The first installment payment shall be due and payable on the date specified in Part II of this agreement. Subsequent installment payments shall be due and payable at intervals of one year thereafter. Any payment of principal may be made prior to its due date.

2. Interest on the unpaid balance of the principal due the Government of the exporting country for commodities delivered in each calendar year shall be paid as follows:

- a. In the case of Dollar Credit, interest shall begin to accrue on the date of last delivery of these commodities in each calendar year. Interest shall be paid not later than the due date of each installment payment of principal, except that if the date of the first installment is more than a year after such date of last delivery, the first payment of interest shall be made not later than the anniversary date of such date of last delivery and thereafter payment of interest shall be made annually and not later than the due date of each installment payment of principal.
- b. In the case of Convertible Local Currency Credit, interest shall begin to accrue on the date of dollar disbursement by the Government of the exporting country. Such interest shall be paid annually beginning one year after the date of last delivery of commodities in each calendar year, except that if the installment payments for these commodities are not due on some anniversary of such date of last delivery, any such interest accrued on the due date of the first installment payment shall be due on the same date as the first installment and thereafter such interest shall be paid on the due dates of the subsequent installment payments.

3. For the period of time from the date the interest begins to the due date for the first installment payment, the interest shall be computed at the initial interest rate specified in Part II of this agreement. Thereafter, the interest shall be computed at the continuing interest rate specified in Part II of this agreement.

E. *Deposit of Payments*

The Government of the importing country shall make, or cause to be made, payments to the Government of the exporting country in the currencies, amounts, and at the exchange rates provided for in this agreement as follows:

1. Dollar payments shall be remitted to the Treasurer, Commodity Credit Corporation, United States Department of Agriculture, Washington, D.C. 20250, unless another method of payment is agreed upon by the two Governments.

2. Payments in the local currency of the importing country (hereinafter referred to as local currency), shall be deposited to the account of the Government of the United States of America in interest bearing accounts in banks selected by the Government of the United States of America in the importing country.

F. *Sales Proceeds*

The total amount of the proceeds accruing to the importing country from the sale of commodities financed under this agreement, to be applied to the economic development purposes set forth in Part II of this agreement, shall be not less than the local currency equivalent of the dollar disbursement by the Government of the exporting country in connection with the financing of the commodities (other than the ocean freight differential), provided, however, that the sales proceeds to be so applied shall be reduced by the Currency Use Payment, if any, made by the Government of the importing country. The exchange rate to be used in calculating this local currency equivalent shall be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency in connection with the commercial import of the same commodities. Any such accrued proceeds that are loaned by the Government of the importing country to private or non-governmental organizations shall be loaned at rates of interest approximately equivalent to those charged for comparable loans in the importing country. The Government of the importing country shall furnish, in accordance with its fiscal year budget reporting procedure, at such times as may be requested by the Government of the exporting country but not less often than annually, a report of the receipt and expenditure of the proceeds, certified by the appropriate audit authority of the Government of the importing country, and in case of expenditures the budget sector in which they were used.

G. *Computations*

The computation of the Initial Payment, Currency Use Payment and all payments of principal and interest under this agreement shall be made in United States dollars.

H. *Payments*

All payments shall be in United States dollars or, if the Government of the exporting country so elects,

1. The payments shall be made in readily convertible currencies of third countries at a mutually agreed rate of exchange and shall be used by the Government of the exporting country for payment of its obligations or, in the case of Currency Use Payments, used for the purposes set forth in Part II of this agreement; or
2. The payments shall be made in local currency at the applicable exchange rate specified in Part I, Article III, G of this agreement in effect on the date of payment and shall, at the option of the Government of the exporting country, be converted to United States dollars at the same rate, or used by the Government of the exporting country for payment of its obligations or, in the case of Currency Use Payments, used for the purposes set forth in Part II of this agreement in the importing country.

### *Article III*

A. *World Trade*

The two Governments shall take maximum precautions to assure that sales of agricultural commodities pursuant to this agreement will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with countries the Government of the exporting country considers to be friendly to it (referred to in this agreement as friendly countries). In implementing this provision the Government of the importing country shall:

1. insure that total imports from the exporting country and other friendly countries into the importing country paid for with the resources of the importing country will equal at least the quantities of agricultural commodities as may be specified in the usual marketing table set forth in Part II during each import period specified in the table and during each subsequent comparable period in which commodities financed under this agreement are being delivered. The imports of commodities to satisfy these usual marketing requirements for each import period shall be in addition to purchases financed under this agreement.
2. take steps to assure that the exporting country obtains a fair share of any increase in commercial purchases of agricultural commodities by the importing country.
3. take all possible measures to prevent the resale, diversion in transit, or transshipment to other countries or the use for other than domestic purposes of the agricultural commodities purchased pursuant to this agreement (except where such resale, diversion in transit, transshipment or use is specifically approved by the Government of the United States of America); and
4. take all possible measures to prevent the export of any commodity of either domestic or foreign origin which is defined in Part II of this agreement during the export limitation period specified in the export limitation table in Part II (except as may be specified in Part II or where such export is otherwise specifically approved by the Government of the United States of America).

B. *Private Trade*

In carrying out the provisions of this agreement, the two Governments shall seek to assure conditions of commerce permitting private traders to function effectively.

C. *Self-Help*

Part II describes the program the Government of the importing country is undertaking to improve its production, storage, and distribution of agricultural commodities. The Government of the importing country shall furnish in such form and at such time as may be requested by the Government of the exporting country, a statement of the progress the Government of the importing country is making in carrying out such self-help measures.

D. *Reporting*

In addition to any other reports agreed upon by the two Governments, the Government of the importing country shall furnish at least quarterly for the supply period specified in Part II, Item 1 of this agreement and any subsequent comparable period during which commodities purchased under this agreement are being imported or utilized:

1. the following information in connection with each shipment of commodities under the agreement: the name of each vessel; the date of arrival; the port of arrival; the commodity and quantity received; and the condition in which received;
2. a statement by it showing the progress made toward fulfilling the usual marketing requirements;
3. a statement of the measures it has taken to implement the provisions of Sections A 2 and 3 of this Article; and
4. statistical data on imports by country of origin and exports by country of destination, of commodities which are the same as or like those imported under the agreement.

E. *Procedures for Reconciliation and Adjustment of Accounts*

The two Governments shall each establish appropriate procedures to facilitate the reconciliation of their respective records on the amounts financed with respect to the commodities delivered during each calendar year. The Commodity Credit Corporation of the exporting country and the Government of the importing country may make such adjustments in the credit accounts as they mutually decide are appropriate.

## F. Definitions

For the purposes of this agreement:

1. "delivery" shall be deemed to have occurred as of the on-board date shown in the ocean bill of lading which has been signed or initialed on behalf of the carrier,
2. "import" shall be deemed to have occurred when the commodity has entered the country, and passed through customs, if any, of the importing country, and
3. "utilization" shall be deemed to have occurred when the commodity is sold to the trade within the importing country without restriction on its use within the country or otherwise distributed to the consumer within the country.

## G. Applicable Exchange Rate

For the purposes of this agreement, the applicable exchange rate for determining the amount of any local currency to be paid to the Government of the exporting country shall be a rate in effect on the date of payment by the importing country which is not less favorable to the Government of the exporting country than the highest exchange rate legally obtainable in the importing country and which is not less favorable to the Government of the exporting country than the highest exchange rate obtainable by any other nation. With respect to local currency:

1. As long as a unitary exchange rate system is maintained by the Government of the importing country, the applicable exchange rate will be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency.
2. If a unitary rate system is not maintained, the applicable rate will be the rate (as mutually agreed by the two Governments) that fulfills the requirements of the first sentence of this Section G.

## H. Consultation

The two Governments shall, upon request of either of them, consult regarding any matter arising under this agreement, including the operation of arrangements carried out pursuant to this agreement.

## I. Identification and Publicity

The Government of the importing country shall undertake such measures as may be mutually agreed prior to delivery for the identification of food commodities at points of distribution in the importing country, and for publicity in the same manner as provided for in Subsection 103(l) of the Act.

## PART II. PARTICULAR PROVISIONS

### Item I. COMMODITY TABLE:

Commodity	Supply Period (United States Fiscal Year)	Approximate Maximum Quantity (Metric Tons)	Maximum Export Market Value (Millions)
Wheat/Wheat Flour (grain basis) .....	1975	800,000	\$128.0

### Item II. PAYMENT TERMS:

#### Convertible Local Currency Credit

1. Initial Payment—5 percent
2. Currency Use Payment—None
3. Number of Installment Payments—31
4. Balance Payable—Approximately equal annual installments

5. Due Date of First Installment Payment—Ten years after date of last delivery of commodities in each calendar year
6. Initial Interest Rate—2 percent
7. Continuing Interest Rate—3 percent

*Item III.* USUAL MARKETING TABLE:

<i>Commodity</i>	<i>Import Period (United States Fiscal Year)</i>	<i>Usual Marketing Requirement</i>
Wheat/Wheat Flour (grain equivalent basis) .....	1975	370,000 metric tons

*Item IV.* EXPORT LIMITATIONS:

A. The export limitation period shall begin on the date the Agreement is signed and shall extend through U.S. Fiscal Year 1975 or any subsequent U.S. Fiscal Year during which commodities financed under this agreement are being imported or utilized.

B. For the purpose of Part I, Article III A (4) of the Agreement, the commodities which may not be exported are: for wheat/wheat flour—wheat, wheat flour, rolled wheat, semolina, farina or bulgur (or the same product under a different name).

*Item V.* SELF-HELP MEASURES:

The Government of the Republic of India agrees to give high priority to the agricultural development portion of the annual budget with emphasis on increased production and improved marketing for domestic consumption and other measures such as:

- increased or improved storage facilities,
- field trials and research to identify economic applications of fertilizer, and improved distribution of fertilizer to meet needs identified,
- enhanced protection of crops against disease and insects,
- improved management of water resources by means of drainage, land leveling, continued installation of tubewells, and improved irrigation practices, and
- increased productivity of dryland farming.

*Item VI.* ECONOMIC DEVELOPMENT PURPOSES FOR WHICH PROCEEDS ACCRUING TO IMPORTING COUNTRY ARE TO BE USED:

The proceeds accruing to the importing country from the sale of commodities financed under this agreement will be used for financing the self-help measures set forth in the agreement and for the following agriculture and economic development sectors, as contained in the Government of India's Annual Plan for 1974-1975: Agriculture and allied programs, irrigation and flood control, power, transportation and communications, education and health, family planning and nutrition.

### PART III. FINAL PROVISIONS

A. This agreement may be terminated by either Government by notice of termination to the other Government for any reason, and by the Government of the exporting country if it should determine that the self-help program described in the agreement is not being adequately developed. Such termination will not reduce any financial obligations the Government of the importing country has incurred as of the date of termination.

This Agreement shall enter into force upon signature.



IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

DONE at Washington, in duplicate, this twentieth day of March, 1975.

For the Government of the United States of America:

[Signed — Signé]<sup>1</sup>

For the Government of India:

[Signed — Signé]<sup>2</sup>

AGREED MINUTES OF THE MEETINGS OF DECEMBER 3, 9, 13 AND 30, 1974, FEBRUARY 24, 1975 AND MARCH 7 AND 18, 1975 BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA (USG) AND THE GOVERNMENT OF INDIA (GOI) REGARDING THE PUBLIC LAW 480 TITLE I AGREEMENT FOR FISCAL YEAR 1975

1. *General.* The representatives of the two governments discussed in detail the provisions of the proposed agreement and reviewed the legislative background of food assistance programs under the Agricultural Trade Development and Assistance Act of 1954 (commonly called P.L. 480). USG officials pointed out that (a) the proposed Title I agreement currently being negotiated incorporated provisions and terms similar to those contained in the Title I agreement the GOI signed in 1971 except that, unlike earlier Local Currency Agreements, this agreement is on long-term credit, (b) Parts I and III of the new agreement are standard provisions for all Title I agreements, and (c) Part II is tailored to specific terms and conditions of the participating recipient country. GOI officials indicated their general understanding of these individual provisions of the agreement.

2. *Operational Provisions.* The following operational aspects and special provisions applicable to Title I agreements were reviewed.

A. The GOI will designate one or more persons in the United States to consult with representatives of the USG to discuss the rules and procedures applicable to procurement, financing, reporting and ocean transportation.

B. Commodities are to be purchased from private U.S. suppliers and actual prices agreed upon between buyers and sellers are subject to price review by United States Department of Agriculture (USDA), which has been a practice for several years.

C. The GOI will designate individuals or agencies in the recipient country with whom representatives of the USG may consult regarding the implementation of the agreement, such as (a) commodity arrival and off-loading information, (b) marking or identifying and publicizing arrivals, (c) assurances against resale and transshipment, (d) compliance with usual marketing requirements, (e) data relating to imports and exports, (f) carrying out self-help measures, and (g) reconciliation of accounts.

D. If the GOI engages the services of a U.S. person or firm as its agent to handle procurement of the commodity and/or ocean transportation, such agent must be approved by the United States Department of Agriculture (USDA). A copy of the written agreement between the Government of India and the United States agent must be submitted to USDA for approval prior to the issuance of applicable purchase authorizations.

E. The GOI agrees to the identification of commodities received and to publicize the agreement.

<sup>1</sup> Signed by Sidney Sober — Signé par Sidney Sober.

<sup>2</sup> Signed by G. V. Ramakrishna — Signé par G. V. Ramakrishna.

F. Purchases in fulfillment of the Usual Marketing Requirements (UMR's) are to be financed by the GOI from its own resources. Commercial imports from certain countries, and commodities imported as donations, grants, or concessional sales from the U.S. or other sources, cannot be counted toward the UMR's.

G. Should the USG authorize and finance deliveries of Title I commodities to extend beyond the supply period specified in Part II of the agreement, the GOI will be required to maintain the same UMR and export limitation provisions again for the subsequent comparable supply period under this agreement as specified in Article III.A.1 and 4 of Part I. If a UMR different from that established in the agreement is deemed appropriate, the agreement will be amended.

H. The USG will take the following into consideration in determining the timing and terms and conditions of Purchase Authorizations: (1) availabilities of commodities, (2) crop years of the United States and India, (3) availability of ocean shipping space, (4) ability of India to receive the commodity, (5) market implications, and (6) the overall interest of the U.S. Government. Extensions of terminal contracting and delivery dates as a general rule are not made.

3. *Additional Understandings.* In particular, the following additional items were discussed in detail:

A. *Section 103(O) — Fair Share Amendment*

The United States negotiators brought to the attention of the Indian Government representatives the "fair share" provision of Section 103(O) of the Act. It was explained that this provision is designed to assure that the United States share in any increases in commercial purchases of agricultural commodities by the purchasing country. In this connection, the United States and Indian negotiators took note of India's large commercial purchases of foodgrains during the past two years and the fact that over 50 percent of these purchases were made in the United States.

B. *Self-Help Reporting*

With reference to Part I, Article III.C of the agreement, it is agreed that the report on self-help measures in Part II, Item V, will be furnished annually by the Government of India; the first report to be submitted on or before December 1, 1975, with subsequent reports to be furnished annually thereafter in a mutually agreed form. These reports will be submitted until such time as the sales proceeds have been utilized.

C. *Trade Arrangements*

The Indian negotiators made reference to its obligation to return in kind wheat borrowed from abroad, and its full intention to fulfill this commitment.

The United States negotiators stated its position regarding shipments of wheat to third countries during the period of the agreement.

Both sides noted that the issue of such repayment in kind is not likely to arise during the United States Fiscal Years within which wheat will be imported or utilized under this agreement.

Both sides agreed to consult with each other to reach mutually satisfactory arrangements should future problems in this area arise.

D. *Payment Provisions*

1. In response to the question raised by the Indian negotiators regarding method of payment, the United States negotiators advised the Indians that the U.S. Government has, in accordance with Article II.H of Part I, required payment in dollars of the interest and principal on credit made available under agreements pursuant to Title I of P.L. 480.

The U.S. Government will continue to require such payments in dollars under this P.L. 480 Title I agreement, and therefore, the language relating to local currency in Article II.E.2 and Article II.H, and Article III.G of Part I would not be applicable.

2. The United States negotiators also noted that since no Currency Use Payments (CUP) will be requested under this Title I, P.L. 480 agreement, the language that relates to Currency Use Payment in Article II.B., G and H of Part I and Item II.2 of Part II would not be applicable.

3. With reference to reporting under Article II.F of Part I and Item VI of Part II, it was agreed that it would be adequate if the Government of India uses the proceeds of commodities financed under this agreement for financing economic development programs specified in items V and VI of Part II of this agreement and certifies such use annually in a mutually agreed form.

4. Also, with regard to Article II.F, the Indian negotiators noted that any loans made out of sales proceeds will be on normal Government of India terms.

#### E. *Explanation of Cost and Value Figures*

The U.S. negotiators explained that the export market value of commodities shown in Part II of the agreement represents the total amount for which Purchase Authorizations (PA's) may be issued and includes the Initial Payment (IP). The quantity of commodities shown in Part II are approximations based on estimates of export market prices. If commodity prices increase, the quantity to be financed under the agreement will be less than the approximate maximum quantity set forth in Part II. Should commodity prices decrease, however, the quantities of commodities to be financed may be limited to those specified in Part II.

The Indian negotiators were advised that, although the U.S. is hopeful of supplying all the commodities in the agreement, because of supply and budgetary limitations, it may become necessary to withhold some shipments during the supply period or possibly carry over shipments into the next supply period. Purchase Authorizations may be limited to certain increments.

#### F. *Ocean Transportation*

The USG representatives pointed out the legislative requirement that not less than 50 percent of Title I P.L. 480 commodities are required to be shipped on U.S. flag vessels; ocean transportation costs will not be financed under the agreement; but the USG will pay the differential costs between U.S. and foreign flag rates on the approximately 50 percent of commodities required to be shipped in U.S. flag vessels.

Washington, March 20th, 1975.

For the Government of the United States of America:

[Signed — Signé]<sup>1</sup>

For the Government of India:

[Signed — Signé]<sup>2</sup>

<sup>1</sup> Signed by Sidney Sober — Signé par Sidney Sober.

<sup>2</sup> Signed by G. V. Ramakrishna — Signé par G. V. Ramakrishna.