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ECONOMIC COMMITTEE

AGRICULTURE IN THE EASTERN COUNTRIES, PARTICULARLY THE USSR
1973 AGRICULTURAL DEVELOPMENTS IN EASTERN EUROPE (1)

Note by the United States Delegation

Summary

Three good performances in a row have lifted East European agricultural output from a 5-year plateau. Farm production grew by more than 4% in 1973 on the strength of a record grain harvest and a sizeable boost in livestock production.

Percentage Growth in Agricultural
Production

Average Annual Rate

	<u>1966-1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Bulgaria	3.6	2.8	4.8	3.1
Czechoslovakia	3.9	1.7	3.8	4.0
East Germany	0.5	-2.8	8.5	1.0
Hungary	4.2	8.0	3.0	5.5
Poland	0.7	2.7	8.4	6.3
Romania	0.7	16.2	9.5	3.5
Eastern Europe	1.6	4.3	6.9	4.3

Despite three successive years of good to excellent grain crops, Eastern Europe's total grain imports in FY 1974(2) should be close to 8 million tons - just about as much as in FY 1973. Livestock inventories are up, carry over grain stocks are still low, and, because of a poor 1973 out-turn of important root and forage crops, non-grain feedstuffs are in short supply.

- (1) In this memorandum Eastern Europe is defined to include Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Romania.
- (2) Data are for fiscal years ending 30th June of the stated year.

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This year, however, more feed grains and less wheat will be needed. Net grain imports of the region will be down somewhat to an estimated 5 1/2 million tons as all of the countries - but principally Bulgaria, Hungary and Romania - export some grain to the West for hard currency. Because of the excellent 1973 Soviet grain harvest, the reliance of Eastern Europe on the US and other Western countries for imports will decline. Deliveries of Soviet grain to the region are expected to increase by 1.2 million tons in FY 1974 while US deliveries fall by 700 thousand tons.

Although the growing season for fall-sown grain (for harvest in 1974) is not far enough advanced to make firm predictions, the outlook for another record year for wheat production is not bright in most countries. The area sown last fall to winter wheat increased throughout the region, but as of 1st February yield prospects were worse than a year ago, except in East Germany and Poland. Soil moisture levels were nearly 40% below normal from Slovakia south into Bulgaria. Furthermore, sparse snow cover over most of the region's wheat fields has increased vulnerability to winterkill.

Discussion

Agricultural Production Sets Record

1. Eastern Europe's agricultural production increased by 4.3% in 1973 and reached a record level (see Figure 1). Total output in 1971-73 was markedly above the production plateau established in 1966-70. Except for East Germany, output was up in every country by at least 3%; Hungary and Poland achieved the largest growth - 5% and 6%, respectively (see Table 1)(1).
2. In most countries, livestock production grew faster than crop production. Both livestock inventories (particularly hogs) and the productivity of animals reached new highs. Consequently, the production and per capita availability of meat increased, although not enough to satisfy demand. Certain processed pork products and veal are in especially short supply, most notably in Poland and Hungary.
3. The substantially higher production of 1971-73 suggests that East European regimes are now receiving a payoff for the high priority they placed on their agricultural sectors beginning in the late 1960s. East European farms have been given more fertilizer, improved grain varieties, more and better farm machinery, and larger supplies of imported livestock feed. They are also receiving higher prices for their products. Nevertheless, most of the large collectives and state farms throughout Eastern Europe still are high-cost producers. As a consequence the

(1) See Appendix for tables

Figure 1

Indexes of Net Agricultural Production
for Eastern Europe

1957-59 = 100

<u>Year</u>	
1960	107
1961	109
1962	103
1963	106
1964	112
1965	114
1966	125
1967	129
1968	128
1969	125
1970	124
1971	130
1972	139
1973 Prel.	145

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growing state subsidies needed to maintain low food prices, especially for meat, are an admitted burden in most countries. To recover some of the money spent on the farm sector and to dampen consumption somewhat, higher retail prices for livestock products are likely to be introduced next year in at least Hungary and Poland.

Bumper Grain Harvest

4. The 1973 grain harvest in Eastern Europe set a new record of 73.6 million tons, one percent larger than the previous year's crop (see Table 2 and Figure 2)(1). A record average yield per hectare more than offset a 2% reduction in the total grain area over 1972. The high yield was partially the result of expanding the area planted to corn and barley in place of lower-yielding oats and rye. A slight decline in the southern region in output of breadgrains and total grain was more than offset by a production boost in the northern region(2). For the northern countries, Czechoslovakia's grain harvest more than offset the 7% decline in East Germany's crop. Production in the southern region dropped slightly, despite an impressive output in Hungary, because the grain harvest was down by more than 1 million tons in Romania. The 1973 plans for grain production were met or exceeded everywhere except in East Germany and Romania. In addition, the 1973 crop was harvested in relatively favourable weather, raising both the ratio of usable to total harvested grain and quality relative to 1972.

5. The output of breadgrain (wheat and rye) remained at the 1972 level. Total sown area was down about 3%, due to short-falls in Poland and Romania. Both countries were unable to meet sowing plans because of late maturing crops in the fall of 1972 and adverse planting conditions last spring. The combination of lower yields and a smaller sown acreage reduced Romania's wheat production by 13%

Production of Other Crops

6. Official results for fall-harvested row crops - potatoes, sugar beets, fodder roots, vegetables, and oilseeds - are still scarce. Except for oilseeds, total output of row crops in Eastern Europe in 1973 is estimated to be below 1972 and less than the 1966-70 average. A dry spring and fall reduced yields -

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- (1) Grain production throughout this report includes the five major grains - wheat, rye, barley, oats, and corn - as well as mixtures
- (2) The northern countries - Poland, East Germany, and Czechoslovakia - produce about as much grain as the southern countries - Hungary, Bulgaria and Romania. The southern countries, however, generally are net exporters of grain while the northern countries usually have large net imports

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Figure 2
Trend in East European Grain Production
1961-73

Million Metric Tons

	<u>Total Grain</u>	<u>Wheat</u>	<u>Other</u>
1961	47.5	13.4	34.1
1962	46.3	13.8	32.5
1963	47.3	13.3	34.0
1964	48.3	14.2	34.1
1965	53.0	18.3	34.7
1966	55.4	17.8	37.6
1967	57.8	20.5	37.3
1968	59.4	20.8	38.6
1969	61.7	20.4	41.3
1970	54.5	19.0	35.5
1971	67.5	24.4	43.1
1972	73.2	26.0	47.2
1973 Prel.	73.6	26.2	47.4

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especially of sugar beets - in Poland, East Germany, and Hungary. But the sugar content of the beets is higher than a year ago, so East European sugar production will be down less than the estimated 8% decline in the sugar beet crop. Potato production was off 5%; only Romania harvested a larger crop than 1972. Hungary was forced to import 90,000 tons of potatoes because of a short harvest. In contrast, oilseed production in Eastern Europe climbed to a new high of nearly 3 million tons. Poland had an excellent rapeseed harvest (40% above the 1972 level), Bulgaria and Romania harvested fine sunflower seed crops, and most countries planted a record area to soybeans. Unlike the winter of 1971-72, when nearly one-third of Poland's rapeseed acreage was lost to winterkill, less than 5% was so damaged last year. In Romania, the largest soybean producer in Eastern Europe, soybean acreage was up 30% to 185,000 hectares. Eastern European countries are anxiously seeking ways of reducing hard currency outlays for imports of high protein oilmeals for their livestock industries by substituting domestically produced supplies. Hungary plans to expand its soybean area from less than 3,000 hectares in 1973 to 100,000 hectares by 1980. Bulgaria and Czechoslovakia also intend to increase their soybean plantings.

7. Harvests of green forage and pasture grass were less bountiful in 1973 than in 1972 in most of the countries. Stocks of roughage carried into this winter were especially low in Bulgaria, East Germany, Czechoslovakia, and Hungary because of a late summer drought. Romania, with relatively good soil moisture conditions, was probably the only East European country in which the 1973 out-turn of forage crops equalled the 1972 level. Other countries will have to make up shortages of roughage in feed rations by feeding additional amounts of grain or other concentrates. This means that the grain-deficit northern countries will not be able to reduce expensive imports of grain or protein meals.

Livestock Sector Continues to Grow

8. Eastern European output of most animal products increased in 1973. Although official production statistics have not been released, the higher procurements of animal products during the first nine months of 1973 and larger livestock herds imply a relatively good year. Nevertheless, growth of the livestock sectors was probably lower than the 1972 rates of increase in all countries except Hungary and Bulgaria(1). In particular,

(1) The Hungarian livestock industry was recovering from a 1971-72 foot-and-mouth epidemic. Bulgarian livestock production rose by more than the 1% recorded in 1972 but fell short of official expectations. Bulgaria's livestock industry suffers from a shortage of high protein feeds, and unlike most other East European countries, Bulgaria has refused to import feedstuffs.

last year's large percentage gains for milk (4%) and meat (8%) for the region as a whole probably were not repeated. While inventories of cattle and hogs apparently reached new highs, the output of beef grew slowly. Gains in output of beef and milk were held back by a shortage of good pasture and green forage crops in the last half of 1973, which lowered the productivity of cattle in Czechoslovakia, Bulgaria and Hungary. Good grain crops last year together with the reported large numbers of hogs and chickens on hand at the end of 1973 in most countries promises substantial production increases in 1974 for pork and poultry. The outlook for beef is less favourable due to short supplies of roughage and efforts of most countries to further expand cattle numbers.

9. The slow growth in the production of major feed crops - silage, hay and green forage - is of major concern to all East European countries. More high-quality roughage and improved pastures are needed not only to support planned production increases in beef and milk but also to lower the currently high costs. In most countries, the share of grain in feed rations of cows and beef cattle is rising at the expense of cheap roughage. Livestock production costs in the northern countries, which have had to import feedgrains at rising prices, have therefore risen sharply. Czechoslovakia probably has been most affected as grain consumption per unit of animal output increased by 22% in 1972. Grain consumption by livestock has also been pushed up in Czechoslovakia and East Germany for another reason. The increasing number of large specialised hog and poultry producing enterprises cannot feed potatoes as economically as the smaller collective farms they are replacing.

Import Demand for Grain

10. Total grain imports of the East European countries in FY 1974 should be close to last year's level - a little more than 8 million tons (Table 3). Net imports will fall by 600 thousand tons to 5.4 million tons as a result of large grain exports by the southern countries. Despite a bumper grain harvest, requirements for imports remain high because of larger livestock herds, smaller harvests of non-grain feed crops, and the need to rebuild grain stocks. The composition of grain imports should change, however. A greater quantity of feed grains is likely to be purchased at the expense of milling quality wheat.

11. The estimated net imports of the northern countries in FY 1974 are slightly higher than in FY 1973 on the strength of larger Polish requirements. Nevertheless, East Germany still will be the largest net grain importer. Because of an exceptional grain harvest, Czechoslovakia may be able to reduce net imports for the third successive year.

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Figure 3

EE Imports of Grain, Fiscal Years 1965-73
and Forecast for FY 1974

	TOTAL	Million Metric Tons	
		of which:	
		USSR	USA
FY 1965	8.23	3.58	.26
FY 1966	7.21	2.70	1.22
FY 1967	6.29	3.72	1.10
FY 1968	5.82	3.63	.65
FY 1969	6.08	4.19	.75
FY 1970	7.07	4.12	.69
FY 1971	10.24	5.86	1.49
FY 1972	9.33	4.84	.75
FY 1973 Preliminary	8.20	3.15	2.73
FY 1974 Forecast	8.10	4.30	2.30

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12. The southern countries, which usually grow more grain than they use, will have net exports of nearly 2 million tons of grain in FY 1974. Hungarian exports this year, are estimated at one million tons of wheat and corn, and for the first time will exceed Romanian exports. An expanding live-stock sector and a smaller corn crop have eroded Romania's export potential this year. Bulgaria will sell an estimated 300,000 tons of wheat abroad, mostly to Middle Eastern and African countries. Both Romania and Hungary will import small amounts of barley for their compound feed industries. Romania also bought some high-grade milling quality wheat to replace some lower-quality wheat exported to Egypt.

13. In the wake of the USSR's fine 1973 harvest, Soviet grain exports to Eastern Europe - down by perhaps 1.7 million tons in FY 1973 - are expected to rebound by about 1.2 million tons in FY 1974 (Table 3). Soviet exports to Poland should go up the most, from less than 900,000 tons in FY 1973 to an announced 1.5 million tons in FY 1974. A slight increase is projected for East Germany and no change for Czechoslovakia.

14. Because of the turn around in Soviet deliveries, Eastern Europe has been able to cut grain imports from the West by a similar amount. But savings in foreign exchange expenditures will be minimal due to much higher world prices. Imports from the US are expected to drop the most in FY 1974 - by 700,000 tons to a level of two million tons. The cutback will affect US exports of wheat rather than feed grains.

Outlook for 1974 Winter Grain(1)

15. Several factors favour higher production of wheat and barley in 1974 should better weather prevail during the balance of the growing season. Larger areas were sown last fall to winter wheat and winter barley in Czechoslovakia, East Germany, Hungary, and Poland at the expense of lower-yielding rye. In addition, more of the higher yielding Soviet wheat varieties were sown(2). Finally, allocations of chemical fertilizer to the farms were up last fall, and there are no indications that supplies will be cut back this spring because of energy shortages. Indeed, the evidence to date suggests that agriculture will be given priority in the allocation of petroleum products.

16. Still, it is much too early to predict whether Eastern Europe will match last year's record harvest in 1974. The condition of winter grain plantings going into the winter was mixed.

(1) Fall-sown wheat, rye, and barley normally account for 50-55% of total grain and over 95% of breadgrains in Eastern Europe.

(2) East Germany for example, claims that yields of the Soviet wheat varieties exceed yields of domestic strains by at least 10%.

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Planting was delayed last fall and germination was threatened by drought over much of Eastern Europe. Good rains in October and November, however, helped plant development in the northern countries. In mid-December, Polish officials stated that the "condition of winter grain and rape was better than a year ago". Grain plantings in East Germany and most of Czechoslovakia are probably in good shape too. Winter grain in the southern countries, in contrast, entered dormancy in poorer condition than a year ago because soil moisture was lower. Winter wheat fields in Bulgaria and the Great Hungarian Plain were described in late November as spotty with uneven plant growth. Since then, precipitation has been slight; by 1st February soil moisture in the southern countries averaged about 40% below normal.

17. So far, Eastern Europe has had a relatively mild winter. No damage to the grain has been reported, although the sparse snow cover makes the grain susceptible to winterkill. But the grain fields - particularly in the southern countries and southwest Czechoslovakia - must receive normal to above-normal rainfall this spring or winter grain yields will be reduced.

(Signed) February 1974
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TABLE 1

Eastern Europe: Indexes of Net Agricultural Production a/
1957-59=100

	Total	Bulgaria	Czecho- slovakia	East Germany	Hungary	Poland	Romania
1960	107	107	106	108	106	107	107
1961	109	106	106	98	109	113	116
1962	103	114	102	91	100	107	108
1963	106	111	101	100	113	105	109
1964	112	126	105	102	114	112	117
1965	114	128	102	112	108	114	121
1966	125	151	114	115	120	122	141
1967	129	153	120	121	129	123	145
1968	128	137	123	123	125	124	142
1969	125	141	118	117	129	119	141
1970	124	153	123	115	132	119	125
1971	130	155	125	110	137	123	152
1972 <u>b/</u>	139	163	130	121	141	133	166
1973 <u>b/</u>	145	168	135	121	149	141	171

- a. The value of crop production less feed (including imported grain), seed, and waste plus the value of livestock products, including changes in livestock numbers. Food and Agriculture Organization (FAO) regional price weights (1952-56) for Western Europe were used to compute the indexes.
- b. Preliminary.

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TABLE 2

Eastern Europe: Official Gross Agricultural Production Data
(Annual Percentage change)

Country	1970	1971	1972	1973		1974 plan
				plan	actual	
Bulgaria						
Total	4.0	3.1	4.8	7.8	3.1	5.0
Crops	2.5	-0.4	7.2	n.a.	n.a.	n.a.
Livestock	6.9	6.1	1.0	n.a.	n.a.	n.a.
Czechoslovakia						
Total	1.1	3.1	3.9	4.0	4.2	3.8
Crops	-4.8	2.8	3.6	6.7	6.3	5.8
Livestock	6.6	3.4	4.1	1.1	2.5	n.a.
East Germany						
Total	3.7	1.8	8.5	4.9*	n.a.	6.8
Crops	10.1	n.a.	n.a.	2.4	n.a.	n.a.
Livestock	-0.8	2.3	7.0	n.a.	n.a.	n.a.
Hungary						
Total	-5	9	3	2.0	5.5	2.0
Crops	-14	12	6	0	7.5	0
Livestock	8	6	-2	n.a.	2.5	6.0
Poland						
Total	2.2	3.6	8.4	2.1	6.3	4.3
Crops	4.3	1.1	7.8	0	n.a.	2.4
Livestock	-1.1	6.6	9.0	5.0	n.a.	6.5
Romania						
Total	-5.2	18.9	9.5	20.0	4.7	21.5
Crops	-11.3	26.3	7.5	n.a.	n.a.	n.a.
Livestock	5.1	8.9	12.5	n.a.	n.a.	n.a.

* Increase over 1972 plan.

TABLE 3

Eastern Europe: Production of Breadgrain a/ and Total Grain b/

Country and Commodity	Million Metric Tons				1973 as a Per- cent of 1972
	1966-70 <u>c/</u>	1971	1972	1973 <u>d/</u>	
Northern region					
Czechoslovakia					
Breadgrain	3.55	4.50	4.65	5.33	115
Total Grain	6.97	8.77	8.67	9.79	113
East Germany					
Breadgrain	3.72	4.24	4.65	4.46	96
Total Grain	6.90	7.74	8.54	7.98	93
Poland					
Breadgrain	11.73	13.29	13.30	13.38	101
Total Grain	16.96	19.88	20.40	20.60	101
Sub-total					
Breadgrain	19.00	22.03	22.60	23.17	103
Total Grain	30.83	36.39	37.61	38.37	102
Southern region					
Bulgaria					
Breadgrain	2.94	3.08	3.58	3.52	98
Total Grain	6.16	6.97	8.09	8.02	101
Hungary					
Breadgrain	3.22	4.10	4.29	4.67	109
Total Grain	8.12	9.64	10.65	11.35	107
Romania					
Breadgrain	4.75	5.28	6.10	5.28	87
Total Grain	12.66	14.46	16.86	15.70	93
Sub-total					
Breadgrain	10.91	12.46	13.97	13.47	96
Total Grain	26.94	31.07	35.60	35.25	99
East European Total					
Breadgrain	29.91	34.49	36.57	36.64	100
Total Grain	57.77	67.46	73.21	73.62	101

- a. Wheat and rye.
- b. Wheat, rye, barley, oats, corn and mixtures.
- c. Annual average production.
- d. Preliminary estimates.

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TABLE 4

Eastern Europe: Estimated Total Imports of Grain a/
Fiscal Years 1968-1974 b/

Thousand Metric Tons

Region and Country	Average FY 68-70	FY 71	FY 72	FY 73c/	FY 74d/
<u>Northern</u>					
Czechoslovakia	1,777	2,289	2,000	1,500	1,400
East Germany	1,810	3,250	3,200	3,400	3,400
Poland	2,068	2,785	3,150	2,600	3,000
Sub-total	<u>5,655</u>	<u>8,324</u>	<u>8,350</u>	<u>7,500</u>	<u>7,800</u>
<u>Southern</u>					
Bulgaria	317	184	20	0	0
Hungary	305	505	520	400	100
Romania	43	1,231	380	300	200
Sub-total	665	1,920	920	700	300
<u>Total Eastern Europe</u>	<u>6,320</u>	<u>10,244</u>	<u>9,270</u>	<u>8,200</u>	<u>8,100</u>
OF WHICH: <u>Exports from USSR e/</u>	3,977	5,855	4,785	3,150	4,300

- a. Including wheat, rye, barley, oats, corn and sorghum.
- b. Twelve month period ending 30th June of stated year.
- c. Preliminary.
- d. Forecast based on known sales, shipments, trade agreements, and estimated requirements as of January 1974.
- e. Imported under Soviet contracts; however, may include third country origin grain.