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ECONOMIC COMMITTEE

SOVIET AND EAST EUROPEAN AGRICULTURAL TRENDS AND PROBLEMS

Note by the United Kingdom Delegation(1)

The agricultural sectors of the USSR and the countries of Eastern Europe are more notable for their differences than for their similarities. Table 1 illustrates this fact by showing the relative importance of agriculture in these countries. For instance agricultural output ranges from 21% of national income in Bulgaria to only 7% in Czechoslovakia; the percentage of the work force from 36% in Romania to only 7% in GDR; and of total investment from 27% in the USSR to 9% in Yugoslavia. The private sector of agriculture also shows wide variations from country to country; being restricted only to plots and allotments in the USSR, where it accounts for only 3% of total arable area, through the 8% of Bulgaria and Romania, where small private farms remain in the mountains, up to the 68% for Poland and 85% for Yugoslavia, where numerous small private farms remain throughout the country.

2. Nevertheless certain common problems and trends do exist. In recent years there has been unexpectedly slow growth in overall agricultural production, which has been generally below target in the current Five Year Plans (1976-1980), and there is the constant effort to meet growing consumer demands for more and higher quality foodstuffs, especially meat. This in turn causes the drive for increased productivity through heavy investment in fertilisers, better seed and intensive methods of animal rearing. But intensive methods of agricultural production demand large numbers of technically trained and skilled agricultural workers. In all the countries therefore, skilled agricultural labour is in short supply, and will become more so because of adverse population changes and migratory trends. The situation is exacerbated by the growing problem of alcoholic addiction, which results in high levels of absenteeism and extreme inefficiency. Agricultural labour overall is in short supply in the GDR and Hungary, and at seasonal peaks also in the USSR, where thousands of soldiers, students and industrial worker "volunteers" are needed to supplement the normal work force. The intensive methods of animal

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rearing and the build-up of livestock herds has led to growing reliance on imports of feeds mainly from North and South America (see Table 2). The average annual cost of such imports for all CEMA countries combined has risen from under \$½ billion in 1966/1970 to a current annual plan (1976-1980) level of about \$3 billion. The drain on reserves of hard currency caused by the need for such large-scale imports, is another problem common to the USSR and most of East Europe. Poland and GDR are the worst affected, but following the poor 1978 harvest in South East Europe, Hungary is the only one of the 8 states expected to be a net exporter of grain in 1979. Declining profitability of agricultural undertakings and falling returns on investment are other common problems in USSR and East Europe. The arbitrary improvement of the profitability of farms by means of increasing prices paid by Government organizations to agricultural producers, in turn poses the alternatives of increasing retail prices or increasing subsidies - a problem especially acute in Poland where the food subsidy burden has become excessive. The problem of inducing young skilled labour to remain on the land, leads to payments of higher production bonuses, increased wages and credits and the provision of better living standards, which lead to yet further rises in the cost of production.

3. Other problems and trends are common to the less developed states and areas only. Thus, agriculture in many areas of the USSR, as well as in Romania, Bulgaria and Yugoslavia, suffers because of the inefficiency of the construction industries, which delay the modernization and building of storage, and the conversion to intensive animal rearing. Inevitably these areas are more affected by spoilage and wastage of agricultural inputs and outputs because of poor, inadequate storage and transport facilities. The GDR, Czechoslovakia and Hungary, on the other hand, are better equipped and more efficient in these respects. In Poland and Yugoslavia, most of the private farms are too small and under-capitalised to be suitable for the introduction of modern agricultural methods and machinery. In many such farms agriculture is still carried out by traditional methods and yields are very low, but Government efforts to form them into co-operatives or to buy out the farmers have met with resistance, especially in Poland, where the refusal of private farmers to take part in the new compulsory Government pension scheme is promoting unrest.

4. The changeover to intensive methods of cultivation and livestock rearing is also presenting many difficulties where construction schedules lag and labour efficiency and skills are inadequate. In Bulgaria and parts of the USSR, for instance, old livestock collectives have been closed down before the new enterprises that are to replace them are ready to take over, and even in completed agro-industrial enterprises young animals are lost and yields of meat and milk much lower than expected, because of incompetence, carelessness and absenteeism of the workers. In Bulgaria the steep rises of production costs in the new agro-

industrial complexes and their failures to meet plan targets led to the dismissal of senior agricultural officials, including the Minister of Agriculture, in the Spring of 1978. The Romanian Authorities are also finding their new agro-industrial livestock complexes expensive and difficult to run. And in all these countries such operations increase the requirements of grain and so lead to higher import costs.

5. Shortages of fertilisers, agricultural machinery, transport vehicles and other industrial inputs of the agricultural sector, are a problem especially in the USSR, Poland and the southern states. The transporting of these to the farms, and the moving of agricultural produce from the rural areas to the towns and processing plants, is a particularly complicated problem in the USSR, where poor management, inefficient labour and pilferage on a vast scale, leads to massive losses of grain as well as of machinery spares and other scarce goods.

6. Lastly there is the wide range of problems presented by the climate which is fluctuating more widely from the norm than in the 1960s. Drought periods are longer and more pronounced, rains and storms heavier and of longer duration, severe freezing winter weather and searing summer desert winds extend over unusually wide areas. Corrective measures such as irrigation and drainage are possible only at a very high cost and in selected areas. Plants more resistant to drought, heat, cold and other weather damage, can be produced from improved seeds, but often only at the cost of lower yields or other disadvantages.

7. Future Trends. Despite wide annual fluctuations, the trend of agricultural output in both the Soviet Union and Eastern Europe over the past fifteen years has been upward. This has been achieved largely as a result of the very substantial resources allocated to this sector, rather than to any improvement in factor productivity. With the prospect of capital and labour resources becoming tighter throughout the economy, it is vital that available resources are used more effectively. The need to offset the declining agricultural labour force with more inputs of labour-saving machinery and equipment will increase the demand for skilled labour to operate them. More investment is needed to improve rural facilities and general living standards in order to induce skilled young workers to remain on the farms. A continuing high level of investment will also be needed for irrigation and other land improvements to compensate for loss of agricultural land to urban expansion, mining and industrial developments. Rising consumer demand throughout the area, especially for livestock products, will increase the need for supplies of maize and soya meal for animal feed. Since, for climatic reasons, it will be impossible to attain self-sufficiency in these crops except in very limited southern locations, import requirements for them will continue to be high, especially in the USSR, Poland and the GDR. A further 3-4 million tonnes of cereal imports are needed each year to

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supply Far Eastern regions of the USSR where neither arable farming nor internal trade is feasible. These factors result in an irreducible annual demand from the whole area of some 20 million tonnes of grain. Higher imports would of course be needed to compensate for poor harvests. On average therefore Soviet and East European grain imports from the West are unlikely to fall below 25-30 million tonnes a year during the next 5 years, and will be considerably higher following years of unfavourable agricultural weather.

NATO,
1110 Brussels.

TABLE 1

The Importance of Agriculture to the Economies of the USSR
and Eastern Europe

Agriculture as a percentage of:	USSR	Bulgaria	Czechoslovakia	GDR	Hungary	Poland	Romania	Yugoslavia
National Income	17	21	7	10	13	16	19	16
Active Workforce	34	25	11	7	20	31	36	34
Total investment	27	15	12	11	13	15	14	9
Total Export Earnings	5	30	4	4	23	10	20	12

TABLE 2

Grain Imports from Hard Currency Areas. (Millions of Tonnes)

1975-1978

Importing Area	1975	1976	1977	1978 (provisional estimate)
USSR	16	20	13	22
Eastern Europe	9	16	14	14
TOTAL	25	36	27	36

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